This is a digital copy of a book that was preserved for generations on library shelves before it was carefully scanned by Google as part of a project to make the world's books discoverable online.

It has survived long enough for the copyright to expire and the book to enter the public domain. A public domain book is one that was never subject to copyright or whose legal copyright term has expired. Whether a book is in the public domain may vary country to country. Public domain books are our gateways to the past, representing a wealth of history, culture and knowledge that's often difficult to discover.

Marks, notations and other marginalia present in the original volume will appear in this file - a reminder of this book's long journey from the publisher to a library and finally to you.

Usage guidelines

Google is proud to partner with libraries to digitize public domain materials and make them widely accessible. Public domain books belong to the public and we are merely their custodians. Nevertheless, this work is expensive, so in order to keep providing this resource, we have taken steps to prevent abuse by commercial parties, including placing technical restrictions on automated querying.

We also ask that you:

+ *Make non-commercial use of the files* We designed Google Book Search for use by individuals, and we request that you use these files for personal, non-commercial purposes.

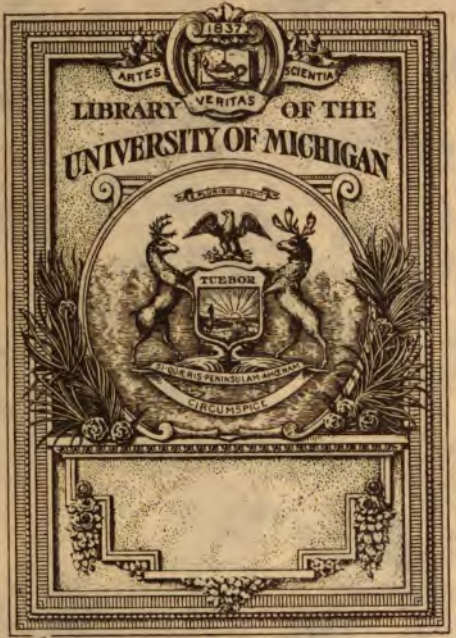
+ *Refrain from automated querying* Do not send automated queries of any sort to Google's system: If you are conducting research on machine translation, optical character recognition or other areas where access to a large amount of text is helpful, please contact us. We encourage the use of public domain materials for these purposes and may be able to help.

+ *Maintain attribution* The Google "watermark" you see on each file is essential for informing people about this project and helping them find additional materials through Google Book Search. Please do not remove it.

+ *Keep it legal* Whatever your use, remember that you are responsible for ensuring that what you are doing is legal. Do not assume that just because we believe a book is in the public domain for users in the United States, that the work is also in the public domain for users in other countries. Whether a book is still in copyright varies from country to country, and we can't offer guidance on whether any specific use of any specific book is allowed. Please do not assume that a book's appearance in Google Book Search means it can be used in any manner anywhere in the world. Copyright infringement liability can be quite severe.

About Google Book Search

Google's mission is to organize the world's information and to make it universally accessible and useful. Google Book Search helps readers discover the world's books while helping authors and publishers reach new audiences. You can search through the full text of this book on the web at `http://books.google.com/`



THE GIFT OF
Guaranty Trust Co. of N.Y.

279 HJ 2379 .G92

The War Tax Law

Approved October 3, 1917

Guaranty Trust Company of New York

140 Broadway

LONDON OFFICE
32 Lombard St., E. C.

FIFTH AVENUE OFFICE
Fifth Avenue and 43d Street

PARIS OFFICE
Rue des Italiens, 1 & 3

COPYRIGHT, 1917
GUARANTY TRUST COMPANY OF NEW YORK

Contents

	PAGE
Foreword	5
Synopsis of Law	7
Full Text of Law	65
Index to Synopsis	129

FOREWORD

IN providing for war revenue, the War Tax Act has been so framed as to make the assessment for war purposes additional to taxes which are already effective under existing law. Taxes provided for in this Act are thus separate and distinct from existing taxes, and, when the time comes for abolishing war taxes, it may be done without affecting general tax laws existing prior to the War Tax Law.

This digest has been prepared in such a way as to make clear this separation of War Taxes from those existing before this enactment. If similar assessments have been made under former laws, both the existing tax and the war tax are given.

The amendments to the Federal Income Tax Law which are included under the subject of "Income Taxes," although contained in the War Tax Law, are amendments to the Income Tax Law of September 8, 1916, and, as explained above, should not be confused with the war tax legislation.

October 4, 1917

Synopsis of

The War Tax Law

Approved October 3, 1917

War Income Tax

INDIVIDUALS

NORMAL TAX

In addition to the present rate of normal tax of 2%, the law provides for a further normal tax of 2% on incomes of residents or citizens of the United States in excess of $2,000 for married persons or heads of families, or in excess of $1,000 for single persons. By the assessment of this additional tax of 2%, incomes in excess of $4,000 for married persons or heads of families, or $3,000 for single persons, will be subject to a normal tax of 4%. (*Sec.* 1.)

It will be noted that the additional normal tax does not apply to non-resident alien individuals.

SURTAX

In addition to the surtax imposed by the act of September 8, 1916, a further surtax on incomes of citizens and residents of the United States and non-resident aliens, is imposed as shown in the chart on the following page: (*Sec.* 2.)

(The chart includes the rates of the existing tax, the war tax and total tax.)

INCOME TAX CHART

Based on the War Income Tax Law and the Income Tax Law, as amended October 3, 1917

(Chart shows the tax payable by a married person, but does not take cognizance of the $200 exemption for each dependent child)

Net Income	Normal Tax			Surtax Percentages			Surtax			Total Tax
	Old Law 2% on Excess of $4,000†	New Law 2% Additional on Excess of $2,000§	Total Normal Tax	Old Law	New Law Additional	Total	Amount subject to Tax	Installment of Surtax at Each Rate	Total Surtax **	
$3,000		$20	$20							$20
4,000		40	40							40
5,000	$20	60	80							80
7,500	70	110	180		1%	1%	$5,000 to $7,500	$25	$25	205
10,000	120	160	280		2%	2%	7,500 " 10,000	50	75	355
12,500	170	210	380		3%	3%	10,000 " 12,500	75	150	530
15,000	220	260	480		4%	4%	12,500 " 15,000	100	250	730
20,000	320	360	680		5%	5%	15,000 " 20,000	250	500	1,180
40,000	720	760	1,480	1%	7%	8%	20,000 " 40,000	1,600	2,100	3,580
60,000	1,120	1,160	2,280	2%	10%	12%	40,000 " 60,000	2,400	4,500	6,780
80,000	1,520	1,560	3,080	3%	14%	17%	60,000 " 80,000	3,400	7,900	10,980
100,000	1,920	1,960	3,880	4%	18%	22%	80,000 " 100,000	4,400	12,300	16,180
150,000	2,920	2,960	5,880	5%	22%	27%	100,000 " 150,000	13,500	25,800	31,680
200,000	3,920	3,960	7,880	6%	25%	31%	150,000 " 200,000	15,500	41,300	49,180
250,000	4,920	4,960	9,880	7%	30%	37%	200,000 " 250,000	18,500	59,800	69,680
300,000	5,920	5,960	11,880	8%	34%	42%	250,000 " 300,000	21,000	80,800	92,680
500,000	9,920	9,960	19,880	9%	37%	46%	300,000 " 500,000	92,000	172,800	192,680
750,000	14,920	14,960	29,880	10%	40%	50%	500,000 " 750,000	125,000	297,800	327,680
1,000,000	19,920	19,960	39,880	10%	45%	55%	750,000 " 1,000,000	137,500	435,300	475,180
1,500,000	29,920	29,960	59,880	11%	50%	61%	1,000,000 " 1,500,000	305,000	740,300	800,180
2,000,000	39,920	39,960	79,880	12%	50%	62%	1,500,000 " 2,000,000	310,000	1,050,300	1,130,180
3,000,000	59,920	59,960	119,880	13%	50%	63%	On excess of 2,000,000	630,000	1,680,300	1,800,180

† Single persons, $3,000. § Single persons $1,000. **Total Surtax is the total of the Installments for the Income considered.

Collection of Tax

Additional taxes under the War Tax Law shall be levied, assessed, collected and paid in the same manner as similar taxes imposed by the Income Tax Law of September 8, 1916. (*Sec.* 3.)

Exemptions

For the purpose of the assessment of the additional war tax, the specific exemption allowed to married persons or heads of families shall be $2,000, and for single persons, $1,000. (*Sec.* 3.)

By the amendment to Section 7, Act of September 8, 1916, it is provided that the head of a family shall be entitled to an additional exemption of $200 for each child dependent upon him or her, if under eighteen years of age, or if incapable of self-support because mentally or physically defective. (Page 12.)

Returns

Annual returns for taxes are required for net incomes of $1,000 or over, in the case of single persons, and $2,000 or over, in the case of married persons or heads of families. (*Sec.* 3.)

Deduction at Source

Deduction of tax at the source on interest derived from tax free bonds shall not apply to the additional normal tax of two per centum until after January 1, 1918, and thereafter only one two per centum normal tax shall be deducted. Any further normal tax, for which the recipient of such income is liable, shall be paid by the recipient. (*Sec.* 3.)

CORPORATIONS

Additional Tax

In addition to the tax of 2% now assessed on net earnings of corporations, under the act of September 8, 1916, the War Tax Law provides for a further tax of 4%, making the total income tax on net earnings now 6%. (*Sec.* 4.)

COLLECTION OF TAX

The additional tax shall be levied, assessed, collected and paid in the same manner as the tax imposed by the Act of September 8, 1916, as amended. (*Sec.* 4.)

DIVIDENDS

For the purpose of the assessment of the additional tax, the income of a corporation shall be credited with the amount received as dividends upon the stock or from the net earnings of any other corporation, which is taxable upon its net income for the additional tax. (*Sec.* 4.)

EFFECTIVE DATE OF LAW

The additional taxes provided for shall be assessed for the calendar year 1917 and each year thereafter.

If a corporation has fixed its own fiscal year, the additional tax imposed for the fiscal year ending during the calendar year 1917 shall be assessed, collected and paid only on that proportion of its income for such fiscal year which the period between January 1, 1917, and the end of such fiscal year bears to the whole fiscal year. (*Sec.* 4.)

PORTO RICO AND THE PHILIPPINE ISLANDS

The provisions of this title do not extend to Porto Rico or the Philippine Islands, and the legislatures of Porto Rico and the Philippine Islands are given power to amend, alter, modify or repeal the income tax laws enforced in Porto Rico or the Philippine Islands. (*Sec.* 5.)

Income Tax Amendments

Changes in the law of
September 8, 1916

INDIVIDUALS

Tax on Dividends

Dividends paid from earnings acquired subsequent to March 1, 1913, are taxable. The amendment of the Income Tax Law provides that dividends shall be deemed to have been paid from the net income of the year in which paid, or from the most recently accumulated surplus, and shall constitute income of the shareholder for the year in which received, but be taxed at the rates prescribed for the year in which earned by the corporation. The above provisions do not apply to distributions made prior to August 6, 1917, out of profits accrued prior to March 1, 1913. (*Sec.* 1211.)

Stock dividends are to be considered income to the amount of surplus, undivided profits and earnings so distributed. (*Sec.* 1211.) For example, if a corporation issues a stock dividend of one hundred shares, having a par value of $100 each, and transfers to capital an amount of surplus and undivided profits equal to the value of the stock distributed, the par value of the stock received shall be returned as taxable income.

Interest on Government Bonds

Interest on United States bonds issued after September 1, 1917, is exempt from taxation only to the extent provided in the Act authorizing the issue. (*Sec.* 1200.)

General Deductions

The law relating to general deductions is changed with respect to deductions on account of taxes and deductions

on account of interest on indebtedness. Interest on indebtedness incurred in the purchase of obligations or securities, the interest upon which is exempt from income tax, may not be deducted in determining net income. Taxes paid on income and excess profits will also not be permitted as a general deduction. This applies to both citizens and residents of the United States and to non-resident aliens. (*Secs.* 1201, 1202.)

Contributions or gifts within the year for religious, charitable, scientific, educational or humanitarian purposes, to an amount not in excess of fifteen per centum of the taxpayer's taxable net income, when verified under prescribed regulations, shall be allowable as deductions. (*Sec.* 1201.)

General deductions allowed non-resident aliens (*Sec.* 6) will be permitted only in case a true and accurate return filed of all income received from sources corporate or otherwise within the United States. (*Sec.* 1202.)

SPECIFIC EXEMPTION

Under the law as amended an additional exemption of $200 for each dependent child, if under 18 years of age, or if incapable of self-support because mentally or physically defective, is allowed. This additional exemption operates only in the case of one parent in the same family. (*Sec.* 1203.)

The provision of the law permitting the specific exemption to non-resident aliens is repealed. (*Sec.* 1203.)

PARTNERSHIPS

RETURNS

Partnerships, when required to file return, shall have the same privilege of fixing and making returns upon the basis of their own fiscal years as is accorded to corporations. (*Sec.* 1204.)

The share of profits of a partnership to which any taxable partner would be entitled for the fiscal year ending in 1916 or a subsequent calendar year, for which the rates of tax have been or shall be changed by law, shall be returned for taxation and the tax paid under the respective rates applicable to each calendar year in the proportion that the period of each calendar year bears to the full fiscal year. (*Sec.* 1204.)

Income derived from interest on Government bonds shall be credited in determining net income only to the extent that it is provided in the act authorizing the issue that they are exempt. (*Sec.* 1204.)

DEDUCTION OF THE TAX AT THE SOURCE

Individuals, Residents or Citizens

Deduction of the normal tax at the source on income of individuals, residents or citizens of the United States, is abolished, except with respect to tax free bonds. Exemption may be claimed from deduction of tax on tax free bonds by filing a certificate prior to February first. (*Sec.* 1205.)

Non-Resident Aliens

Deduction of the normal tax at the source on the income of non-resident alien individuals remains unchanged. (*Sec.* 1205.)

Foreign Corporations and Firms

Deduction of the tax at the source on dividends payable to non-resident alien corporations not having a place of business in the United States is retained, and deduction of tax on interest on bonds of domestic corporations payable to non-resident alien corporations or firms, not having a place of business in the United States, is also continued.

Tax Withheld During 1917

Any amount of tax withheld by a withholding agent during the year 1917 on account of tax imposed upon the income of any individual, citizen or resident of the U. S., except in case of interest on tax free bonds, shall be released and paid over to such individual. (*Sec.* 1212.)

Payment of Tax by Recipients

The entire tax upon the income of individuals, citizens or residents of the United States shall be paid hereafter directly by the owners of the income, except where deduction at the source is authorized.

DEDUCTION OF EXCESS PROFITS TAX

In assessing income tax, the net income embraced in the return shall be credited with the amount of any excess profits tax assessed for the calendar or fiscal year upon the taxpayer. In the case of a member of a partnership, the net income of the member shall be credited with his proportionate share of the excess profits tax of the partnership. (*Sec.* 1211.)

INCOME OF FOREIGN GOVERNMENTS

Income of foreign governments received from investments in the United States in stocks, bonds or other domestic securities, or from interest on deposits in banks, shall not be subject to tax. (*Sec.* 1211.)

CORPORATIONS

Undistributed Surplus

In addition to other taxes, a tax of 10% shall be imposed on the net income, beginning with the year 1917, of every corporation, joint stock company or association or insur-

ance company, received during each year and remaining undistributed six months after the end of each calendar or fiscal year. (*Sec.* 1206.)

Undistributed income which is actually invested or employed in the business or is retained for employment, in the reasonable requirements of the business, is not subject to the tax. Likewise income invested in obligations of the United States issued after September 1, 1917, is not subject to the tax. (*Sec.* 1206.)

If the Secretary of the Treasury ascertains and finds that income is retained at any time for employment in the business and is not so employed or is not reasonably required in the business, the tax shall be assessed at the rate of 15%. (*Sec.* 1206.)

In case return is made on the basis of a fiscal year ending prior to December 31, 1917, the tax shall be imposed on that proportion of the income which the part of the fiscal year in the year 1917 bears to the whole of such fiscal year. (*Sec.* 1206.)

Payments of Dividends

A corporation is required to include in its annual return a statement of its payments of dividends which are made in cash or its equivalent or in stock, including the names and addresses of stockholders and the number of shares owned by each and the applicable amounts in which such dividends were earned. (*Sec.* 1210.)

General Deductions

The law relating to general deductions is changed with respect to deductions on account of interest on indebtedness and deductions on account of taxes. Interest on indebtedness, incurred in the purchase of obligations or securities, the interest upon which is exempted from income tax, may not be deducted in determining net income. Taxes paid on income and excess profits will

also not be permitted as a general deduction. This applies to both foreign and domestic corporations. (*Sec.* 1207.)

INFORMATION AT THE SOURCE

The system of information at the source is substituted for deduction of the tax at the source with respect to income received by citizens or residents of the United States, except income derived from interest on tax free bonds. Information at the source shall apply to the calendar year 1917, but shall not apply to the payment of interest on bonds of the United States. (*Sec.* 1211.)

Brokers' Returns

Every person, corporation, partnership or association doing business as a broker on any exchange, board of trade or other similar place of business shall, when required by the Commissioner of Internal Revenue, render a return showing the names of customers for whom such person, corporation, partnership or association has transacted any business with such details as to the profits, losses, or other information as will enable the Commissioner of Internal Revenue to determine whether all income tax due on profits or gains of such customers has been paid. (*Sec.* 1211.)

Returns of Miscellaneous Income

All persons, corporations, partnerships, associations and insurance companies, in whatever capacity acting, including lessees or mortgagors of real and personal property, trustees acting in any trust capacity, executors, administrators, receivers, conservators and employers making payment due another person, corporation, partnership, association or insurance company of interest, rent, salaries, wages, premium, annuities, compensation, remuneration, emoluments or other fixed or determinable gains, profits and income of $800 or more in any taxable year, or in the

case of such payments made by the United States to officers or employees of the United States having information as to such payments, and required to make returns in regard thereto, are authorized and required to render a return to the Commissioner of Internal Revenue setting forth the amount of such gains, profits and income and the names and addresses of the recipients of such payments. (*Sec.* 1211.)

RETURNS OF INTEREST ON BONDS AND FOREIGN DIVIDENDS

Returns shall be required regardless of the amount of payment (1) in the case of payments of interest upon bonds and mortgages or deeds of trust or other similar obligations of corporations, joint stock companies, associations and insurance companies, and (2) in the case of collections of items of interest upon the bonds of foreign countries and interest from bonds or the stock of foreign corporations by persons, corporations, partnerships or associations undertaking as a matter of business or for profit, the collection of foreign payments of such interest or dividends by means of coupons, checks or bills of exchange. (*Sec.* 1211.)

DISCLOSURE OF OWNERSHIP

The name and address of the recipient of the income must be furnished on demand of the person paying the income. (*Sec.* 1211.)

PENALTY

Penalty for refusal or neglect to make return or supply information is fine of not less than $20 and not more than $1,000.

Any individual or officer of a corporation who makes any false or fraudulent return or statement with intent to defeat or evade the assessment of taxes shall be fined not exceeding $2,000, or be imprisoned not exceeding one year, or both. (*Sec.* 1209.)

COLLECTION OF FOREIGN ITEMS

Persons, firms, corporations or associations making collection of foreign payments of interest or dividends by means of coupons, checks or bills of exchange, are required to obtain a license from the Commissioner of Internal Revenue. Any concern that undertakes to collect such payments without having obtained a license therefor shall be subject to a fine not exceeding $5,000 or imprisonment for a term not exceeding one year, or both. This requirement is the same as that in effect before collection of the tax at the source was abolished.

LIFE INSURANCE PREMIUMS

Premiums paid on life insurance policies covering the lives of officers, employes, or those financially interested in any trade or business conducted by an individual, partnership or corporation shall not be deducted in computing the net income of such individual, partnership or corporation. (*Sec.* 1211.)

War Excess Profits Tax

DEFINITIONS

"CORPORATION" includes joint stock companies or associations and insurance companies.

"DOMESTIC" means created under the laws of the United States, or of any State, Territory or District thereof.

"FOREIGN" means created under the laws of any other possession of the United States or of any foreign country or government.

"UNITED STATES" means only the States, the Territories of Alaska and Hawaii, and the District of Columbia.

"TAXABLE YEAR" means the twelve months ending December thirty-first, excepting in the case of a corporation or partnership which has fixed its own fiscal year, in which case it means such fiscal year.

"FIRST TAXABLE YEAR," shall be the year ending December thirty-first, nineteen hundred and seventeen, except that in the case of a corporation or partnership which has fixed its own fiscal year, it shall be the fiscal year ending during the calendar year, nineteen hundred and seventeen.

"PRE-WAR PERIOD" means the calendar years nineteen hundred and eleven, nineteen hundred and twelve and nineteen hundred and thirteen, or, if a corporation or partnership was not in existence or an individual was not engaged in a trade or business during the whole of such period, then, as many of such years during the whole of which the corporation or partnership was in

existence or the individual was engaged in the trade or business.

"NET INCOME," in the case of a foreign Corporation or Partnership or a non-resident alien individual, means net income received from sources within the United States.

PERSONS, CORPORATIONS AND PARTNERSHIPS SUBJECT TO TAX

THE TAX, which is in addition to taxes under previously existing laws not hereby repealed (page 34), is assessed on the excess profits of corporations and partnerships, both domestic and foreign, and of individuals, residents or citizens of the United States, and non-resident aliens, with respect to their trades and businesses. For the purpose of this tax, a corporation or partnership is deemed to be in but one trade or business and all income is deemed to be received from such trade or business. (*Sec.* 201.)

The Law applies to all trades or businesses of whatever description, including professions and occupations, whether carried on continuously or not, except:

1. In the case of officers and employes under the United States, or any State, Territory, or the District of Columbia, or any local subdivision thereof, the compensation or fees received by them as such officers or employes. (*Sec.* 201.)

2. Income derived from the business of life, health and accident insurance combined in one policy issued on the weekly premium payment plan. (*Sec.* 201.)

CORPORATIONS, PARTNERSHIPS, AND INDIVIDUALS EXEMPT FROM TAX

1. FOREIGN CORPORATIONS OR PARTNERSHIPS OR NON-RESIDENT ALIEN INDIVIDUALS, the net income of whose trade or business during the taxable year from sources within the United States is less than $3,000. (*Sec.* 202.)

2. CORPORATIONS exempt from the Federal Income Tax and PARTNERSHIPS and INDIVIDUALS engaged in the same business or coming within the same description. (*Sec.* 201.)

DETERMINATION OF EXCESS PROFITS

FOR the purpose of the determination of excess profits, corporations, partnerships and individuals may, for convenience, be divided into four classes:

CLASS I. CORPORATIONS OR PARTNERSHIPS in existence or individuals engaged in business during the whole of any one calendar year during the pre-war period shall determine their excess profits as follows: (*Sec.* 203.)

Domestic Corporations

In the case of a domestic corporation by deducting from net income, the sum of (1) an amount equal to the same percentage of the invested capital for the taxable year, which the average amount of the annual net income of the trade or business during the pre-war period was of the invested capital for the pre-war period, and (2) $3,000. (*Sec.* 203-a.)

For Example: A corporation, having average capital invested during the pre-war period, amounting to $100,000 and an average net income for such period, amounting to $7,000, would be entitled to a deduction of 7% of its invested capital for the taxable year, plus the specific exemption of $3,000, in determining excess profits for the taxable year.

Domestic Partnerships and Citizens or Residents of the United States

In the case of a domestic partnership or a citizen or resident of the United States, by deducting from net income the same percentage of invested capital as in the case of a domestic corporation but the specific exemption allowed shall be $6,000 instead of $3,000, as in the case of a corporation. (*Sec.* 203-b.)

Foreign Corporations and Partnerships and Non-Resident Aliens

In the case of a foreign corporation or partnership or a non-resident alien individual, the tax shall be based on the income received from sources within the United States, and the deduction shall be an amount equal to the same percentage of the invested capital for the taxable year which the average net income received from sources within the United States during the pre-war period was of the average invested capital during the pre-war period. (*Sec.* 203-c.)

Invested capital shall be that proportion of the entire invested capital which the net income from the trade or business within the United States bears to the entire net income. (*Sec.* 207.)

Limitation on Deductions

The foregoing deduction shall be an amount not less than seven per centum nor more than nine per centum of the invested capital for the taxable year. (*Sec.* 203.)

Inability to Determine Pre-War Income

If the Secretary of the Treasury is unable to determine the average net income for the pre-war period, the war profits shall be determined by the method prescribed for Class III, page 24. (*Sec.* 203.)

CLASS II. CORPORATIONS OR PARTNERSHIPS NOT IN EXISTENCE, AND INDIVIDUALS NOT ENGAGED IN BUSINESS, DURING THE WHOLE OF ANY ONE CALENDAR YEAR DURING THE PRE-WAR PERIOD, SHALL DETERMINE THEIR EXCESS PROFITS AS FOLLOWS:

Corporations

In the case of corporations, by deducting from net income 8% of the invested capital for the taxable year, plus $3,000, in the case of a domestic corporation. (*Sec.* 204.)

For Example: A corporation, having invested capital for the taxable year 1917 amounting to $200,000 will be entitled to a deduction of 8% of $200,000 plus $3,000, namely a deduction of $19,000.

Partnerships and Individuals

In the case of a partnership or an individual, by deducting from net income, 8% of the invested capital for the taxable year, plus $6,000 in the case of a domestic partnership or resident or citizen of the United States. (*Sec.* 204.)

Business a Continuation of Former Business

A corporation or partnership, although formerly organized on or after January 2, 1913, which is substantially a continuation of a trade or business carried on prior to that date, shall be deemed to have been in existence prior to that date and the net income and invested capital of its predecessor for the pre-war period shall be deemed to have been its net income and invested capital. (*Sec.* 204.)

CLASS III. CORPORATIONS, PARTNERSHIPS AND INDIVIDUALS HAVING NO INCOME, OR HAVING A SUBNORMAL INCOME, DURING THE PRE-WAR PERIOD, SHALL DETERMINE THEIR EXCESS PROFITS AS FOLLOWS:

If the Secretary of the Treasury, upon complaint, finds that during the pre-war period, a domestic corporation or partnership or a resident or citizen of the United States, had no income or had income which was low as compared with representative concerns engaged in a like business, by deducting from the net income for the taxable year, the sum of (1) an amount equal to the same percentage of its invested capital, for the taxable year, as the average deduction (determined in the same manner as provided for in Class I without including the exemption of $3,000 or $6,000) for the taxable year of representative concerns engaged in like business, is of their invested capital for such year, and (2), in the case of domestic corporations, $3,000 or, in the case of domestic partnerships, or citizens or residents of the United States, $6,000. (*Sec.* 205-a.)

Determination by Commissioner

The percentage of the deduction to invested capital in each trade or business taxable under Class III shall be determined by the Commissioner of Internal Revenue under regulations prescribed by him. In the case of a corporation or partnership which has fixed its own fiscal year as the taxable year, the percentage determined for the calendar year ending during such fiscal year shall be used as the basis. (*Sec.* 205-a.)

Procedure for Assessment Under Class III

The law provides that corporations, partnerships and individuals coming within the provisions of Class III, shall be assessed in the same manner as provided for corporations, partnerships or individuals under Class I. The benefit of the basis of assessment provided under

Class III may be claimed only by filing with the Collector of Internal Revenue at the time of filing return for the assessment of the tax, claim for abatement (Form 47) of the amount by which the tax assessed under Class I, exceeds the tax computed upon the basis of assessment provided for under Class III. (*Sec.* 205-b.)

For Example: If A. B. C., Inc., had an average pre-war income of $7,000 and average invested capital for the pre-war period of $100,000, the percentage of the invested capital for the taxable year allowed as a deduction, if assessed upon the basis of a corporation falling within Class I, would be 7%.

If upon determination by the Commissioner of Internal Revenue it is found that the average percentage of deduction of representative concerns engaged in like business was 9%, the corporation, if assessed upon the basis of a corporation falling under Class III, would be entitled to a deduction amounting to 9% of its invested capital.

In order to receive the benefit of the latter deduction, A. B. C., Inc., will file a return showing the amount of tax due assessed on the basis of the 7% deduction. At the same time this return is filed, a claim for the difference in tax assessed, on the basis of 7%, and that assessed on the basis of 9%, will be filed on Form 47.

Where claim for abatement is filed, collection of the amount of the tax covered by the claim in abatement will not be made until a decision is rendered on the merits of the claim. If, however, the Commissioner of Internal Revenue deems it advisable, he may require bond for the payment of such tax, and if such bond is not furnished as required, demand payment of the full amount of the tax assessed. If the full amount is collected and the decision on the claim for abatement shows an amount overpaid, such excess payment will be refunded. (*Sec.* 205.)

CLASS IV. CORPORATIONS, PARTNERSHIPS, OR INDIVIDUALS, IN CASES WHERE THE SECRETARY OF TREASURY CANNOT SATISFACTORILY DETERMINE INVESTED CAPITAL, SHALL DETERMINE THEIR EXCESS PROFITS AS FOLLOWS: (*Sec.* 210.)

The taxable war profits shall be determined by deducting from the net income for the taxable year the sum of (1)

an amount equal to the same proportion of the net income of the trade or business received during the taxable year as the average deduction (determined in the same manner as provided in case of concerns falling under Class I, without including the $3,000 or $6,000 specific exemption) for the same calendar year of representative concerns engaged in same business, bears to the total net income of the business received by such concerns and (2) in the case of a domestic corporation, $3,000, or in the case of domestic partnership, or a citizen or resident of the United States, $6,000.

Determination by Commissioner

The proportion between the deduction of the net income in each trade or business shall be determined by the Commissioner of Internal Revenue. In case of a corporation or partnership which has fixed its own fiscal year, the proportion determined for the calendar year ending during such fiscal year, shall be used.

INVESTED CAPITAL DEFINED

Domestic Corporations and Partnerships

In the case of a corporation or partnership, invested capital shall include:

1. Actual cash paid in.

2. Actual cash value of tangible property paid in other than cash, for stock or shares in such corporation or partnership, at the time of such payment (but in case such tangible property was paid in prior to January 1, 1914, the actual cash value of such property as of

January 1, 1914, but in no case to exceed the par value of stock issued therefor), and

3. Paid in or earned surplus and undivided profits, used or employed in the business exclusive of undivided profits earned during the taxable year. (*Sec.* 207.)

Patents and Copyrights

The actual cash value of patents and copyrights paid in for stock or shares of a corporation or partnership at the time of such payment, not to exceed the par value of such stock or shares, shall be included as invested capital. (*Sec.* 207.)

Intangible Assets

Good will, trade marks, trade brands, franchises or other intangible property, shall be included as invested capital of a corporation or partnership, if bona fide payment therefor was made in cash or tangible property. The value included shall not exceed the actual cash or actual cash value of the tangible property paid therefor at the time of payment.

Good will, trade marks, trade brands, franchises, or other intangible property, bona fide purchased prior to March 3, 1917, for and with interests or shares in a partnership, or in the capital stock of the corporation (issued prior to March 3, 1917), in an amount not to exceed on March 3, 1917, 20 per centum of the total shares of the stock of the corporation, shall be included in invested capital. Such value, however, shall not exceed the actual cash value at the time of purchase, and in the case of the issue of stock, shall not exceed the par value of such stock. (*Sec.* 207.)

Residents or Citizens of the United States

In the case of individuals, residents or citizens of the United States, invested capital shall include:

1. Actual cash paid into the trade or business;

2. Actual cash value of tangible property paid into the trade or business, other than cash, at the time of such payment (but in case such tangible property was paid in prior to January 1, 1914, the actual cash value of such property as of January 1, 1914); and

3. The actual cash value of patents, copyrights, good will, trade marks, trade brands, franchises, or other intangible property paid into the trade or business at the time of such payment, if payment was made therefor specifically as such in cash or tangible property, not to exceed the actual cash or actual cash value of the tangible property bona fide paid therefor at the time of such payment. (*Sec.* 207.)

Foreign Corporations and Partnerships and Non-Resident Aliens

In the case of foreign corporations and partnerships and non-resident aliens, invested capital shall be that proportion of the actual invested capital, as defined above, which the net income from sources within the United States bears to the entire net income. (*Sec.* 207.)

Monthly Average

Invested capital for any year means the average invested capital for the year, averaged monthly. (*Sec.* 207.)

Capital Excluded

Invested capital does not include stocks, bonds (other than United States Bonds), or other obligations, the

income from which is not subject to the Excess Profits Tax. Likewise it does not include money or other property borrowed. (*Sec.* 207.)

Reorganization, Consolidation, or Change of Ownership of Business

In the case of the reorganization, consolidation or change of ownership of a business after March 3, 1917, if an interest of fifty per centum or more remains in the control of the same persons, partnerships, or corporations, or any of them, no asset transferred or received from the prior business shall be allowed a greater value than would have been allowed such prior business, in determining invested capital, unless such asset was paid for in cash or tangible property, in which case the amount shall not exceed the actual cash or the actual cash value of the tangible property paid therefor at the time of payment. (*Sec.* 208.)

RATES OF TAX

The tax shall be collected on percentages of the net income as follows: (*Sec.* 201.)

	Rate
Net Income (in excess of deduction) and not in excess of 15% of the invested capital for the taxable year	20%
Net income in excess of 15% but not in excess of 20% of invested capital	25%
Net income in excess of 20% but not in excess of 25% of invested capital	35%
Net income in excess of 25% but not in excess of 33% of invested capital	45%
Net income in excess of 33% of invested capital	60%

BUSINESS OR TRADE WITHOUT CAPITAL OR MERELY NOMINAL CAPITAL

In addition to other taxes, a business or trade having no invested capital or merely a nominal invested capital, shall, in lieu of the excess profits tax, pay a tax of 8% on income derived from such trade or business in excess of $3,000, in the case of a domestic corporation, or of $6,000 in the case of a citizen or resident of the United States, or a domestic partnership. (*Sec.* 209.)

NET INCOME

CORPORATIONS

Net income of a corporation shall be determined as follows: (*Sec.* 206.)

For the years 1911 and 1912, upon the basis provided for under the Corporation Excise Tax Law, Section 38, Act of Congress, approved August 5, 1909, except that income taxes paid to the United States within such years shall be included. This makes the amounts of net income returned to the Treasury Department for the years of 1911 and 1912, for the purpose of the assessment of the Corporation Excise Tax, plus income taxes paid to the United States, the basis of the pre-war income for the years of 1911 and 1912.

For the year 1913, upon the basis provided for under the Income Tax Law, Act of Congress, approved October 3, 1913 (net income as shown on the Income Tax Return filed for year 1913), except that income taxes paid to the United States shall be included and that dividends from stocks of other corporations whose net earnings were subject to tax under the Act of October 3, 1913, received by the corporation, shall be deducted.

For the taxable year, upon the basis provided for under the Income Tax Law of September 8, 1916, as amended, except that dividends from stock of other corporations, whose net earnings are subject to tax under the Act of September 8, 1916, as amended, received by the corporation, shall be deducted.

Partnerships and Individuals

Net income of a partnership or individual for the pre-war period and taxable year, shall be determined upon the basis provided for under the Income Tax Law of September 8, 1916, as amended, except that the amount received as dividends from the stock of any domestic corporations, whose net income is subject to tax under the Act of September 8, 1916, as amended, shall be deducted. (*Sec.* 206.)

Deductions Allowed Partnerships

Domestic Partnerships

Domestic partnerships shall be entitled to the following deductions from gross income (allowed under Section *5*, Subdivision (a) of the Act of September 8, 1916, as amended), in computing net income:

1. Necessary expenses actually paid in carrying on the business or trade.

2. Interest paid within the year on indebtedness, except on indebtedness incurred in the purchase of obligations or securities, the interest upon which is exempt from taxation as income.

3. Taxes paid within the year, other than those assessed against local benefits, and excess profits and income taxes.

4. Losses actually sustained during the year incurred in the business or trade arising from fires, storms, shipwrecks or other casualty or from theft, when not compensated for by insurance or otherwise.

5. Debts actually ascertained to be worthless and charged off within the year.

6. A reasonable allowance for exhaustion, wear and tear of property within the United States arising out of its use or employment in the business or trade; (a) in the case of oil and gas wells, a reasonable allowance for actual reduction in flow and production to be ascertained by the settled production or regular flow; (b) in the case of mines, a reasonable allowance for depletion thereof not to exceed the market value in the mine of the product thereof which has been mined and sold during the year for which the return and computation are made.

Foreign Partnerships

Foreign partnerships shall be entitled to the following deductions (allowed under Section 6, Subdivision (a) of the Act of September 8, 1916, as amended) from gross income in computing net income:

1. Necessary expenses actually paid in carrying on any business or trade conducted within the United States.

2. The proportion of all interest paid within the year on indebtedness which the gross amount of income for the year derived from sources within the United States bears to the entire net income.

3. Taxes paid within the year imposed under the authority of the United States, or its territories or possessions, or under the authority of any State or subdivision of any State, not including those assessed against local benefits or excess profits or income taxes.

4. Losses actually sustained during the year incurred in business or trade conducted within the United States, and losses of property within the United States arising from fires, storms, shipwrecks, or other casualty and from theft, when such losses are not compensated for by insurance or otherwise.

5. Debts arising in the course of business or trade conducted within the United States, actually ascertained to be worthless and charged off within the year.

6. A reasonable allowance for exhaustion, wear and tear of property within the United States arising out of its use or employment in the business or trade; (a) in the case of oil and gas wells, a reasonable allowance for actual reduction in flow and production to be ascertained by the settled production or regular flow; (b) in the case of mines, a reasonable allowance for depletion thereof not to exceed the market value in the mine of the product thereof, which has been mined and sold during the year for which the return and computation are made.

RETURNS

PARTNERSHIPS. Every foreign partnership having a net income of $3,000 or more for the taxable year, and every domestic partnership having a net income of

$6,000 or more for the taxable year, must file a return of the income of the trade or business for the taxable year, setting forth specifically the gross income for the year and the deductions permitted under the law. (*Sec.* 211.)

The return shall be filed in the form prescribed by the Commissioner of Internal Revenue on or before March 1 of each year for the preceding calendar year, with the Collector of Internal Revenue for the district in which the office of the partnership or individual is located, or in which the individual resides. (Act September 8, 1916.)

FIXING FISCAL YEAR. A corporation or partnership may fix its own fiscal year as the taxable year. (*Sec.* 200.)

If a corporation or partnership prior to March 1, 1918, makes a return covering its own fiscal year, and includes therein the income received during that part of the fiscal year falling within the year 1916, the tax for the year 1917 shall be that proportion of the tax computed upon the excess profits during such fiscal year which the time from January 1, 1917, to the end of such fiscal year, bears to the full fiscal year. (*Sec.* 200.)

TAX LAW REPEALED

The Excess Profits Tax Law, Title 2, Act of March 3, 1917, is repealed.

Any amount which has been or hereafter may be paid on account of the tax as imposed under the excess profits tax law of March 3, 1917, shall be credited toward the payment of the tax imposed by this law, but if the amount so paid exceeds the amount due under this law, the excess shall be refunded. (*Sec.* 214.)

REGULATIONS OF THE COMMISSIONER OF INTERNAL REVENUE

The Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, is authorized to make all necessary regulations for carrying out provisions of this law and may require the production of facts and data necessary for the collection of the tax. (*Sec.* 213.)

ADMINISTRATIVE AND GENERAL PROVISIONS OF THE LAW

All administrative, special and general provisions of the law, including the laws in relation to the assessment, remission, collection and refund of internal revenue taxes not inconsistent with the provisions of this law, and likewise all provisions of the Income Tax Law relating to returns and payment of the tax imposed, including provisions relating to penalties, are made applicable to taxes required by this law. (*Sec.* 212.)

*Facilities Furnished by Public Utilities

(Effective November 1, 1917)

	TAX
EXPRESS	
From point in U. S. to another in U. S. (*Sec. 500.*) —per each 20c. paid therefor	$.01
FREIGHT	
From point in U. S. to another in U. S. (*Sec. 500.*)—on amount paid therefor	3%

*NOTE: Tax imposed hereunder:

(1) Shall be paid by person paying for service. (Sec. 501.)

(2) ON TRANSPORTATION, shall be paid by carrier who ships own property for which no pay is received, the same as if transportation charges were received, to be determined on basis of tariff of other carriers, if carrier who receives transportation has no tariff on file on May 1, 1917. (Sec. 501.)

Shall not be applicable to transportation of commodities necessary for the use of the carrier in the conduct of its business; or to transportation of company material transported by one carrier, which constitutes a part of the railroad system, for another carrier which is also a part of the same system. (Sec. 501.)

(3) Shall not be applicable to service rendered to the United States or any State, Territory or the District of Columbia, the right to exemption to be evidenced in such manner as the Commissioner of Internal Revenue may prescribe. (Sec. 502.)

(4) Shall be collected, and paid to the Collector of Internal Revenue, by person or corporation receiving payment for service, under regulations prescribed by the Commissioner of Internal Revenue in accordance with monthly returns filed in duplicate by such person or corporation. (Sec. 503.)

†Passenger Fares	TAX
From point in U. S. to another or to any point in Canada or Mexico, exclusive of commutation tickets or season tickets less than 30 miles, or transportation costing not to exceed 35c, (*Sec.* 500.)—on amount paid therefor	8%
Pipe Line	
For the transportation of oil by pipe line (*Sec.* 500.)—on amount paid therefor	5%
†Seats, Berths or Stateroom Tickets, in Sleeping or Parlor Cars or on Vessels (*Sec.* 500.)—on amount paid therefor	10%
Telegraph, Telephone or Radio dispatches and messages, originating within the U. S., each message or dispatch of 15c. or more. (Only one payment required on each). (Sec. 500.)—on amount paid therefor	$.05

†Tickets, not partially used, or mileage books purchased prior to November 1, 1917, and fares paid by cash on train, are subject to tax and tax will be collected by conductor or agent to whom presented. (Sec. 500.)

Beverages*

	Existing Tax	War Tax	T T
ALE (*See* Fermented Liquors), per bbl.	$1.50	$1.50	$3
BEER (*See* Fermented Liquors), per bbl.	1.50	1.50	3
CARBONIC ACID GAS, in drums or other containers intended for use in manufacture of carbonated water and soft drinks, per lb.; (*Sec.* 315): Tax shall be paid by purchaser to vendor and by him returned and paid to U. S.		.05	
CHAMPAGNES (*See* Wines)			
CORDIALS AND LIQUEURS, per each one-half pint; (*Sec.* 309):	.01½	.01½	.0

*NOTES: Manufacturers, producers, bottlers or importers are required to make monthly returns to the Collector of Internal Revenue for the district in which are located their principal places of business, containing information necessary for the assessment of taxes. (Sec. 314.)

Commissioner of Internal Revenue is authorized to discontinue use of the following stamps: Distillery warehouse, special bonded warehouse, special bonded re-warehouse, general bonded warehouse, general bonded retransfer, transfer brandy, export tobacco, export cigars, export oleomargarine, and export fermented liquor stamps. (Sec. 305.)

Unless otherwise stated, taxes are effective October 4, 1917, the day following the enactment of the law. (Sec. 1302.)

The installation of meters, tanks, pipes or other apparatus by distilleries, etc. may be required by the Commissioner of Internal Revenue for the purpose of protecting the revenue. Installation shall be at the expense of the distillery and, the business shall be discontinued in case of refusal or neglect to make such installation. (Sec. 306.)

	Existing Tax	War Tax	Total Tax
CORDIALS AND LIQUEURS in excess of 25 gallons, upon which existing tax has been paid, held for sale on October 3, 1917; per each one-half pint; (*Sec.* 310):		$.01½	
DISTILLED SPIRITS			
In bond, produced, or imported per proof gal., or per wine gal. when below proof, (fractional parts proportionately); (*Sec.* 300):			
For other than beverage purposes	$1.10	1.10	$2.20
For beverage purposes	1.10	2.10	3.20
Spirits in excess of 50 gals. held for sale by retailers, on October 3, 1917, upon which existing tax has been paid, per gal. (fractional parts proportionately); (*Sec.* 303):			
For other than beverage purposes		1.10	
For beverage purposes		2.10	
Spirits held for sale on October 3, 1917, by others than retailers (except in custody of court of bankruptcy)—per gal. (fractional parts proportionately); (*Sec.* 303):			
For other than beverage purposes		1.10	
For beverage purposes		2.10	

Spirits for beverage purposes, shall not be imported into the U. S. from any foreign country, the West Indian Islands acquired from Denmark (unless produced from products grown therein), Porto Rico or the Philippines. (Sec. 301.)

Packages may be filled or spirits transferred after payment of tax, without being entered in bonded warehouse, under regulations prescribed by the Commissioner of Internal Revenue. (Sec. 302.)

Tax on spirits in the custody of a court of bankruptcy on June 1, 1917, shall be paid by the person to whom the court delivers same, at the time of delivery, to the extent that the amount delivered exceeds 50 gals. (Sec. 303.)

The manufacture, warehousing, withdrawal and shipment of ethyl alcohol for domestic use, or for denaturation, and denatured alcohol, may be exempted from the prohibition against Sunday operations, under prescribed regulations; and, similarly, manufacturers thereof, for other than beverage purposes, may be granted permission to fill fermenting tubs in a sweet mash distillery not oftener than once in forty-eight hours. (Sec. 303.)

	Existing Tax	War Tax
EXTRACTS (*See* Syrups and Extracts)		
FERMENTED LIQUORS		
Beer, lager beer, ale, porter, and similar fermented liquors (containing ½% or more alcohol), per bbl. containing not in excess of 31 gallons and at a like rate for any other quantity or fractional parts; (*Sec.* 307):	$1.50	$1.50
Taxable fermented liquors may be removed without payment of tax from brewery to contiguous industrial distillery to be used as distilling material, and residue, containing less than ½% alcohol, which is to be used in making beverages, may be manipulated on distillery premises or elsewhere. Removal is subject to regulations of the Commissioner of Internal Revenue. (Sec. 308.)		
GRAPE BRANDY OR WINE SPIRITS		
Withdrawn for the fortification of sweet wine, per proof gal. (fractional parts proportionately); (*Sec.* 311):	.10	.20
Used in the fortification of sweet wines held for sale October 3, 1917, per proof gallon (fractional parts proportionately); (*Sec.* 312):		.10
Withdrawn for the purpose of fortifying sweet wines, but not used prior to October 3, 1917, per proof gallon (fractional parts proportionately); (*Sec.* 312):		.20
GRAPE JUICE (*See* Unfermented Grape Juice), per gal.		.01
GINGER ALE (*See* Unfermented Grape Juice), per gal.		.01
LAGER BEER (*See* Fermented Liquors), per bbl.	1.50	1.50
LIQUEURS (*See* Cordials)		
PERFUMES, containing distilled spirits, imported into U. S., per wine gal. (fractional parts proportionately); (*Sec.* 300):		1.10
Tax to be collected by collector of customs and deposited as internal revenue collections.		

	Existing Tax	War Tax	Total Tax
POP (*See* Unfermented Grape Juice), per gal.		$.01	
PORTER (*See* Fermented Liquors), per bbl.....	$1.50	1.50	$3.00
RECTIFIED SPIRITS (in possession of rectifier on October 3, 1917, or thereafter rectified) per proof gal. (fractional parts proportionately); (*Sec.* 304):		.15	
Does not apply to gin produced by the re-distillation of a pure spirit over juniper berries and other aromatics; nor to cordials and liqueurs subject to tax under Act of Sept. 8, 1916; nor to certain blends of wines and whiskies. (Sec. 304.)			
Violation of Sec. 304 punishable by fine not less than $250 or more than $1,000 or imprisonment not more than two years, together with assessment of double the tax evaded, together with tax to be collected by assessment or on any bond given. (Sec. 304.)			
Exchange of wholesale liquor dealers' stamps for stamps for rectified spirits is discontinued unless package is to be broken into smaller packages. (Sec. 305.)			
ROOT BEER (*See* Unfermented Grape Juice) per gal.		.01	
SARSAPARILLA (*See* Unfermented Grape Juice), per gal.		.01	
SOFT DRINKS (*See* Unfermented Grape Juice), per gal.		.01	
SWEET WINES (*See* Grape Brandy)			
SYRUPS AND EXTRACTS, for use in manufacture of soft drinks. (*Sec.* 313-a.)			
If sold for not more than $1.30 per gal.		.05	
If sold for more than $1.30 per gal. and not for more than $2.00 per gal.		.08	
If more than $2.00 per gal. and not more than $3.00 per gal.		.10	
If more than $3.00 per gal., and not more than $4.00 per gal., per gal.		.15	
If more than $4.00 per gal.		.20	

	Existing Tax	War Tax	Total Tax
UNFERMENTED GRAPE JUICE, soft drinks, artificial mineral waters (not carbonated), and fermented liquors containing less than ½ per centum of alcohol, sold by the manufacturer, producer or importer in bottles or closed containers, and ginger ale, root beer, sarsaparilla, pop or other carbonated waters or beverages, manufactured or sold by the manufacturer, producer or importer of carbonic acid gas used in carbonating same. (*Sec.* 313-b), per gal.		$ .01	
VERMUTH (*See* Wines)			
WATERS—natural, mineral or table waters, sold in bottles or other closed containers at over 10c. per gal. (*Sec.* 313), per gal.		.01	
Artificial Mineral Water (not carbonated) or Carbonated Waters. (*Sec.* 313-b), per gal.		.01	
WINES			
Still wines* (including vermuth, artificial or imitation wines or compounds sold as still wine), in bond, produced, or imported, per wine gallon (fractional parts proportionately); (*Sec.* 309):			
Containing not more than 14 per cent. alcohol	$ .04	.04	$ .08
Containing more than 14 per cent. alcohol and not more than 21% alcohol	.10	.10	.20
Containing more than 21% and not more than 24% alcohol	.25	.25	.50

*Wines over 24% alcohol classed as distilled spirits and taxed accordingly.

	Existing Tax	War Tax	Total Tax
Still wines in excess of 25 gals. held for sale on October 3, 1917, upon which existing tax has been paid, per wine gallon (fractional parts proportionately); (*Sec.* 310):			
Containing not more than 14% alcohol		$.04	
Containing more than 14% alcohol and not more than 21% alcohol		.10	
Containing more than 21% and not more than 24% alcohol		.25	
Champagne and sparkling wines, in bond, produced or imported per ½ pt. or fraction thereof (*Sec.* 309)	$.03	.03	$.06
Champagne and sparkling wines in excess of 25 gals. held for sale on October 3, 1917, upon which existing tax has been paid, per ½ pt. or fraction thereof (*Sec.* 310)		.03	
Artifically carbonated wines in bond, produced or imported, per ½ pt. or fraction thereof (*Sec.* 309)	.01½	.01½	.03
Artifically carbonated wines in excess of 25 gals. held for sale on October 3, 1917, upon which existing tax has been paid, per ½ pt. or fraction thereof (*Sec.* 310)		.01½	

Cigars, Cigarettes and Tobacco

CIGARS (*Sec.* 400)	Existing Tax	War Tax	Total Tax
Manufactured, sold or removed for consumption. (Effective 30 days after passage of this Act.) (*Sec.* 402.):			
Weighing not more than 3 lbs. per 1,000; per 1,000 (*Sec.* 400-a)	$ .75	$ .25	$1.00
Weighing more than 3 lbs. per 1,000: Retailing at 4c each or more but not more than 7c each, per 1,000 (*Sec.* 400-b)	3.00	1.00	4.00
Retailing at more than 7c each but not more than 15c each per 1,000 (*Sec.* 400-c)	3.00	3.00	6.00
Retailing at more than 15c each but not more than 20c each per 1,000 (*Sec.* 400-d)	3.00	5.00	8.00
Retailing at more than 20c each (*Sec.* 400-e)	3.00	7.00	10.00
Amount in excess of 1,000 held for sale on the day after the passage of this Act, or removed from factory or custom house after the passage of this Act but prior to the effective date, upon which the existing tax has been paid. (*Sec.* 403.):			
Weighing not more than 3 lbs. per 1,000; per 1,000		.12½	
Weighing more than 3 lbs. per 1,000; Retailing at 4c or more but not more than 7c each, per 1,000		.50	
Retailing at more than 7c each, but not more than 15c each, per 1,000		1.50	
Retailing at more than 15c each, but not more than 20c each, per 1,000		2.50	
Retailing at more than 20c each		3.50	

The word "retail" as used in regard to cigars means the ordinary retail price of a single cigar, and the Commissioner of Internal Revenue may require manufacturers or importers to affix to each box a conspicuous label indicating by letter the clause and section under which the cigars therein contained have been tax-paid. (Sec. 400.)

	Existing Tax	War Tax	Total Tax
CIGARETTE PAPERS AND TUBES (*Sec.* 404)			
Papers in packages, books or sets containing:			
Over 25 papers but not over 50 papers			$.005
Over 50 papers but not over 100 papers			.01
More than 100 papers, for each 100 papers or fractional part thereof			.01
Tubes—per 100 or fraction thereof			.02
CIGARETTES* (*Sec.* 400)			
Manufactured in or imported into the United States. (Effective 30 days after passage of this Act.) (*Sec.* 402):			
Weighing not more than 3 lbs. per 1,000, per 1,000	$1.25	$ .80	2.05
Weighing more than 3 lbs. per 1,000, per 1,000 (*Sec.* 400-f)	3.60	1.20	4.80
Amount in excess of 1,000 held for sale on the day after the passage of this Act, or removed from factory or custom house after the passage of this Act but prior to the effective date, upon which the existing tax has been paid. (*Sec.* 402):			
Weighing not more than 3 lbs. per 1,000, per 1,000		.40	
Weighing more than 3 lbs. per 1,000, per 1,000		.60	

Cigarettes (including small cigars weighing not more than 3 lbs. per 1,000) shall be put up in packages containing 5, 8, 10, 12, 15, 16, 20, 24, 40, 50, 80, or 100, and manufacturers shall affix and cancel stamps denoting payment of tax; cigarettes imported shall be stamped and stamps cancelled, in addition to import stamps, before withdrawn. (Sec. 400-f.)

*Between the dates of October 3, 1917, and November 2, 1917, all cigarettes, manufactured tobacco and snuff may be put up in either the packages as provided for by the existing law or as provided for in this Act. (Sec 402.)

	Existing Tax	War Tax	Total Tax
TOBACCO AND SNUFF* (*Sec.* 401)			
Manufactured, sold or removed for consumption. (Effective 30 days after passage of this Act.) per lb. (*Sec.* 402)	$.08	$.05	$.13
Amount in excess of 100 lbs. held for sale on the day after the passage of this Act, or removed from factory or custom-house after the passage of this Act but prior to the effective date, upon which the existing tax has been paid, per 1,000 (*Sec.* 403)		.02½	

In addition to packages now provided for under existing law, tobacco and snuff may be put up in the following sizes: ⅛, 3/16, ¼, 5/16, ⅜, 1½, 1¾, 1⅞, 1⅞, and 5 ounces. (Sec. 401.)

*Between the dates of October 3, 1917, and November 2, 1917, all cigarettes, manufactured tobacco and snuff may be put up in either the packages as provided for by the existing law or as provided for in this Act. (Sec. 402.)

Stamp Taxes

Under Schedule A*

TAX

AGREEMENTS (*See* Capital Stock; Produce).

BILL OF SALE (*See* Capital Stock; Produce).

*NOTE: Penalty for illegally using, removing, buying, selling, or destroying any stamp, die plate or impression thereof, is fine not to exceed $1,000 or imprisonment not to exceed five years, or both. (Sec. 803.)

Penalty for signing or issuing any instrument or other paper; consigning or shipping any article by parcel post; manufacturing, importing or selling any playing cards without the full amount of tax being paid, or using an adhesive stamp without cancelling it, is fine not to exceed $100 for each offense. (Sec. 802.)

Person using stamps shall cancel same by writing or stamping initials of name and date. (Sec. 804.)

Stamps are on sale by several collectors of internal revenue, postmasters, assistant treasurers and designated depositories of the United States. (Sec. 806 and 807.)

Bonds, notes or other instruments issued by the United States or by any foreign government or by any State, Territory, or the District of Columbia, or local subdivision thereof; or stocks and bonds issued by cooperative building and loan associations operating exclusively for the benefit of their members making loans only to their shareholders; or by mutual ditch or irrigation companies; shall not be subject to tax. (Sec. 801.)

Laws relating to the assessment and collection of taxes are extended to and made a part of this law for the purposes of collecting stamp taxes. (Sec. 805.)

Taxes are effective on and after December 1, 1917. (Sec. 800.)

BONDS, DEBENTURES, OR CERTIFICATES OF INDEBTEDNESS, issued on or after December 1, 1917, on each $100 or fraction of amount of Bond. $ .05

Renewals are taxed as new issues.

When bond is conditioned for payment of money in a penal sum greater than the debt secured, the tax shall be on the amount secured.

	TAX
BONDS, INDEMNITY AND SURETY (except in legal proceedings and reinsurance), (*Sec.* 2), each	$.50
Where premium is charged per $1.00 premium or fraction	.01
CAPITAL STOCK, ISSUE	
With par value, each $100 face value or fraction	.05
Without par value, actual value $100 or less, each share	.05
Without par value, actual value over $100, each $100 or fraction	.05

Stamps to be attached to stock books.

CAPITAL STOCK, sales or transfers type.	
With par value, each $100 face value or fraction	.02
Without par value, actual value $100 or less, each share	.02
Without par value, actual value in excess of $100 per share, each $100 or fraction	.02

Deposit of certificates as collateral not taxable.

Deliveries to brokers for sale or by brokers on account of purchase not taxable.

Stamps shall be affixed to—*a*. Transfer books where shown only on books; *b*. Certificate where transfer is by certificate; *c*. Bill of sale where certificate delivered in blank.

Penalty for violation: fine not exceeding $1,000, imprisonment not exceeding 6 months, or both.

CERTIFICATES OF INDEBTEDNESS (*See* Bonds of Indebtedness).

CHECKS, not payable at sight or on demand (*See* Drafts and Checks).

CONVEYANCES OF REAL ESTATE, by deed, instrument, or writing, (not to secure debt), on consideration less encumbrances assumed by purchaser:	
Exceeding $100, not in excess of $500	.50
Each additional $500 or fraction thereof	.50

	TAX
DEEDS (*See* Conveyances)	
DRAFTS OR CHECKS not payable at sight or on demand, per each $100 or fraction thereof	$.02
ENTRY OF MERCHANDISE AT CUSTOM HOUSE—on value of merchandise:	
Not exceeding $100	.25
Exceeding $100 and not exceeding $500	.50
Exceeding $500	1.00
ENTRY, for withdrawal of merchandise from customs bonded warehouse	.50
MEMORANDUM OF SALE (*See* Capital Stock; Produce).	
NOTES (*See* Promissory Notes).	
PARCEL POST PACKAGES—for each 25c. or fraction for transportation charged on packages upon which the charge is 25c. or more, to be paid by consignor No package shall be transported unless stamps are attached.	.01
PASSAGE TICKET, one way or round trip transportation by vessels from U. S. to destination not in the U. S., Canada or Mexico:	
Not exceeding $30	1.00
Exceeding $30 and not exceeding $60	3.00
Exceeding $60 Tickets not in excess of $10—exempt.	5.00
PLAYING CARDS, pack containing not over 54 cards, in addition to existing tax (Effective October 3, 1917)	.05
POWER OF ATTORNEY, except for use in Government pensions, or in bankruptcy cases	.25
PROMISSORY NOTES (except bank notes issued for circulation), and each renewal of the same, per each $100 or fraction thereof	.02

PRODUCE, sales of, on exchange on each $100 in value or fraction thereof $ .02

Stamps shall be attached to bill or agreement of sale which shall show date of sale, name of seller, amount of sale, and the matter to which it refers.

Transfer of contracts to a clearing house for the purpose of adjusting accounts, provided no beneficial interest is passed to such clearing house, is not subject to tax.

Sales for immediate delivery not taxable.

Penalty for violation: fine not exceeding $1,000, or imprisonment not exceeding 6 months, or both.

PROXIES, except for use in religious, educational, charitable, fraternal or literary societies or public cemeteries. .10

SALES (*See* Capital Stock; Conveyances; Produce).

TRANSFERS (*See* Capital Stock).

Estates

The amendment to the Federal estates tax law materially increases the rates of tax. All other provisions of the law of September 8, 1916, as amended by the Act of March 3, 1917, remain in full force and effect, unchanged. (*Sec.* 900.)

The following schedule shows the rates effective on estates of decedents dying on and after October 3, 1917.

Net Estate after Specific Exemption of $25,000	Rate of Existing Tax	Rate of Additional Tax	Rate of Total Tax	Amt. of Tax
Next $ 50,000	1½%	½%	2%	$ 1,000
" 100,000	3 %	1 %	4%	4,000
" 100,000	4½%	1½%	6%	6,000
" 200,000	6 %	2 %	8%	16,000
" 550,000	7½%	2½%	10%	55,000
" 1,000,000	9 %	3 %	12%	120,000
" 1,000,000	10½%	3½%	14%	140,000
" 1,000,000	12 %	4 %	16%	160,000
" 1,000,000	13½%	4½%	18%	180,000
" 3,000,000	15 %	5 %	20%	600,000
" 2,000,000	15 %	7 %	22%	440,000
In excess of $10,000,000	15 %	10 %	25%	.....

The additional tax imposed shall not apply to the transfer of the estate of a decedent, dying while serving in the military or naval forces of the United States, during the war in which the United States is now engaged, or dying from injuries received or disease contracted in the service within one year after the termination of the war. (*Sec.* 901.)

Manufactures

		TAX
TAXES ON FOLLOWING ARTICLES ARE TO BE PAID BY USERS:		
BOATS (*See* Yachts)		
MOTOR BOATS		
Not over 5 net tons with fixed engines. (*Sec.* 603)	per year	$5.00
Over 5 net tons with fixed engines (*See* Yachts)		
YACHTS, pleasure boats, power boats, motor boats with fixed engines, and sailing boats, of over 5 net tons, not used exclusively for trade or national defense nor built according to plans approved by the Navy Department (*Sec.* 603)		
*Length not over 50 feet, per foot	" "	.50
Length over 50 feet, not over 100 feet, per foot	" "	1.00
Length over 100 feet, per foot	" "	2.00

*In determining the length, the measurement over all length shall govern.

NOTE: Tax payable by user on day Act takes effect, or at the time of purchase of new boat, and thereafter on the first day of each July.

In case of tax on boat purchased on date other than July 1, the tax shall be the same number of twelfths of the amount as the remaining months prior to the following July 1, including the month in which purchased. (Sec. 603.)

	TAX
TAXES ON FOLLOWING ARTICLES ARE TO BE PAID BY THE MANUFACTURER, PRODUCER, OR IMPORTER:	
AUTOMOBILES, automobile trucks, automobile wagons, and motorcycles. (*Sec.* 600), on selling price	3%
CAMERAS (*Sec.* 600) on selling price	3%
CHEWING GUM, or substitute therefor (*Sec.* 600), on selling price	2%
FILMS, Moving Picture, unexposed (*Sec.* 600), per linear foot	$.0025
FILMS, Moving picture, positive, containing picture ready for projection (*Sec.* 600), per linear foot	$.005
JEWELRY, real or imitation (*Sec.* 600), on selling price	3%

NOTE: Tax attaches to articles sold by manufacturer, producer or importer. Each manufacturer, producer or importer shall make monthly returns and pay taxes imposed under Section 600 to Collector of Internal Revenue for District in which principal place of business is located, under regulations prescribed by Commissioner of Internal Revenue. (Sec. 601.)

If any of the above articles named, except moving picture films, are held for sale on October 3, 1917, by any person other than a retailer, who is not a wholesaler, or the manufacturer, producer, or importer, a tax, equivalent to one-half of the above rates, shall be paid by the person holding same. (Sec. 602.) Such person shall make return and pay tax within 30 days after the passage of this Act. (Sec. 1002.)

Tax does not attach to articles sold and delivered prior to May 9, 1917, where title is reserved in vendor as security for payment of purchase price. (Sec. 602.)

	TAX
PATENT MEDICINES, pills, tablets, powders, tinctures, troches, or lozenges, syrups, medicinal cordials or bitters, anodynes, tonics, plasters, liniments, salves, ointments, pastes, drops, waters (not otherwise taxed under Section 313), essences, spirits, oils and all medicinal preparations, compounds, or compositions and other patent or proprietary medicines or remedies (*Sec.* 600), on selling price	2%
PIANO players, graphophones, phonographs and talking machines (*Sec.* 600), on selling price	3%
RECORDS, for player pianos, graphophones, phonographs, talking machines or musical instruments (*Sec.* 600), on selling price	3%
SPORTING GOODS AND GAMES, tennis racquets, golf clubs, baseball bats, lacrosse sticks, balls of all kinds, including baseballs, footballs, tennis, golf, lacrosse, billiard, and pool balls, fishing rods, reels and lines, billiard and pool tables, chess and checker boards and pieces, dice, games and parts of games except playing cards and children's toys and games (*Sec.* 600), on selling price	3%
TOILET ARTICLES, perfumes, cosmetics, essences, toilet waters, extracts, vaselines, petroleums, hair oils, pomades, tooth and mouth washes, dentifrices, aromatic cachous, tooth pastes, hair restorers, dyes and dressings, toilet soaps and powders and similar substances used for toilet purposes (*Sec.* 600), on selling price	2%

Insurance

(Effective November 1, 1917.)

	TAX
LIFE INSURANCE (except policies for reinsurance, and except Industrial policies of $500 or less on weekly payment plan, upon which tax shall be 40% of first premium). (*Sec.* 504)—per $100 or fraction thereof of policy	$.08
MARINE, INLAND OR FIRE INSURANCE (except policies for reinsurance). (*Sec.* 504)—per $1.00 or fraction thereof of premium	.01
CASUALTY INSURANCE (except life, marine and fire, and except policies for reinsurance). (*Sec.* 504)—per $1.00 or fraction thereof of premium	.01

NOTE: All policies of insurance issued by a person, corporation or organization, exempt from Federal Income Tax, shall be exempt from taxes imposed by this law. (Sec. 504.)

Persons receiving pay for issuing insurance policies shall make return during the first 15 days of each month and pay tax to Collector of Internal Revenue. (Sec. 505.)

Admissions to Places of Amusements

	TAX
ADMISSIONS (Effective November 1, 1917). (*Sec.* 700.) Persons over 12 years paying admission, except where maximum charge is 5c, per each 10c or fraction	$.01
Persons admitted free, except employees, children under twelve years, and officers on official business, per each 10c charged for similar admissions. (*Sec.* 700.)	.01
Children under 12 years, where admission is charged—per admission. (*Sec.* 700.)	.01
CABARETS or similar entertainments to which the charge for admission is wholly or in part included in the price paid for refreshment, service or merchandise, the amount to be computed by rules established by the Commissioner of Internal Revenue, per each 10c thereof	.01
BOXES OR SEATS, for permanent use, on the amount for which a similar box or seat is sold for performance at which the box or seat is used or reserved	10%

NOTE: No tax shall be levied where all the proceeds of which inure to the benefit of religious, educational, or charitable organizations or institutions, or admissions to agricultural fairs.

No tax to be imposed in the case of a place the maximum charge for which is five cents; nor in the case of a moving picture and certain other shows the maximum charge for which is ten cents; nor in the case of admissions to outdoor amusement parks.

Admission includes seats and tables, reserved or otherwise, and other similar accommodations, and the charges made therefor.

Persons or organizations receiving payments of admissions, or admitting persons free, shall collect taxes from persons paying admissions, make monthly reports, and pay the sums collected to Collector of Internal Revenue. (Sec. 702.)

Postal Rates

FIRST CLASS MATTER (Effective 30 days after passage of Act):

Three cents per ounce or fraction except drop letters of first class, 2c per ounce or fraction. (*Sec.* 1100.)

Postal cards or private mailing cards one cent in addition to existing rate.

NOTE: During the present war, letters written and mailed by soldiers, sailors and marines while assigned to duty in a foreign country, may be mailed without postage.

For the purpose of determining the rate of postage, publishers are required, with the first mailing of each issue, to file with the postmaster a copy of such issue together with a statement of such information as may be prescribed by the Postmaster General.

SECOND CLASS MATTER

ON PORTION OF PUBLICATION DEVOTED TO ADVERTISING, in cases where over five per centum of publication is devoted to advertising:

*Zone	July 1, 1918 to July 1, 1919	July 1, 1919 to July 1, 1920	July 1, 1920 to July 1, 1921	On and after July 1, 1921
1st	$.01¼	$.01½	$.01¾	$.02
2nd	.01¼	.01½	.01¾	.02
3rd	.01½	.02	.02½	.03
4th	.02	.03	.04	.05
5th	.02¼	.03½	.04¾	.06
6th	.02½	.04	.05½	.07
7th	.03	.05	.07	.09
8th	.03¼	.05½	.07¾	.10

*Zones applicable to fourth class matter applicable to second class matter.

ON PORTION OF PUBLICATION DEVOTED TO OTHER THAN ADVERTISING:

From July 1, 1918, to July 1, 1919, per lb. or fraction $.01¼

On and after July 1, 1919, per lb. or fraction .01½

NOTE: Daily newspapers, deposited in letter-carrier office for delivery by carrier, are subject to existing rate. (Sec. 1102.)

Existing law as to circulation and existing rates on second class matter within county of publication not affected by increase in rates. (Sec. 1102.)

Newspapers and periodicals maintained by and in interest of religious, educational, scientific, philanthropic, agricultural, labor and fraternal associations not for profit (except when deposited for delivery by carrier, in which case the rates provided by existing law shall apply), the rate, irrespective of the zone in which delivered, shall be 1⅛ cents per pound or fraction on and after July 1, 1918, and 1¼ cents per pound on and after July 1, 1919. (Sec. 1103.)

Where total weight of any one edition or issue mailed to any one zone does not exceed one pound, the rate shall be one cent. (Sec. 1104.)

Zone rates herein provided for relate to entire bulk to any one zone and not to individually addressed packages. (Sec. 1105.)

Newspapers mailed by other than publisher or his agent, or news agent or dealer, shall be charged the same postage as under existing law. (Sec. 1106.)

Dues

TAX

DUES, or Membership Fees, in social, sporting or athletic clubs which are in excess of $12.00 per year (including initiation fees), to be paid by members. (Effective November 1, 1917.) (*Sec.* 701) 10%

NOTE: Persons or organizations receiving payments of dues, or admitting persons free, shall make monthly reports and pay taxes to Collector of Internal Revenue. (Sec. 702.)

Dues to fraternal and beneficial societies are exempt. (Sec. 701.)

Munitions Tax

REDUCTION OF RATE

The munitions tax for the year of 1917 is reduced from 12½ per centum to 10 per centum. (*Sec.* 214.)

EXPIRATION OF TAX

The Munitions Tax Law shall cease to be of effect on and after January 1, 1918. (*Sec.* 214.)

Administrative and General Provisions

WEST INDIAN ISLANDS

Articles coming into U. S. from West Indian Islands, acquired from Denmark, shall be subject to tax imposed on like articles by Internal Revenue Laws of U. S., and exempt from tax under Internal Revenue Laws of Islands. (*Sec.* 1000.)

Articles shipped from U. S. to West Indian Islands, acquired from Denmark, shall be subject to tax imposed on like articles by Internal Revenue Laws of Islands and exempt from tax under Internal Revenue Laws of U. S. (*Sec.* 1000.)

ADMINISTRATIVE PROVISIONS OF LAW APPLICABLE

All administrative, special and stamp provisions of law, including the law relating to the assessment of taxes, as far as applicable, are made a part of this Act. (*Sec.* 1001.)

RECORDS AND RETURNS

Every person liable to tax or for the collection thereof shall keep such records, render such returns and comply with such regulations as the Commissioner of Internal Revenue may prescribe. (*Sec.* 1001.)

COLLECTION AND PAYMENT

Where additional taxes are imposed by this Act upon articles or commodities, upon which the existing tax has been paid, the person required to pay such additional tax shall make return within thirty days after passage of this Law in accordance with regulations promulgated by the Commissioner of Internal Revenue. (*Sec.* 1002.)

Payment of the additional tax may be extended seven months after the passage of this Law, with the approval

of, and under regulations prescribed by, the Commissioner of Internal Revenue. (*Sec.* 1002.)

Where the method of collecting the tax is not specifically provided, such tax shall be collected in such manner as the Commissioner of Internal Revenue may prescribe. (*Sec.* 1003.)

Where tax imposed by stamps is an increase over existing rates, stamps on hand in collectors' offices or Internal Revenue Bureau, may be used until supply is exhausted but sold at the increased rates. (*Sec.* 1006.)

In the payment of any tax not payable by stamps, a fractional part of a cent shall be disregarded unless it amounts to one-half cent or more, in which case it shall be increased to one cent. (*Sec.* 1008.)

PENALTIES

Penalty and administrative provisions contained in Title VIII, page 96 of Law, shall apply to all taxes to be paid by stamp. (*Sec.* 1003.)

Penalty for:

1 failure to make returns,
2 false or fraudulent return,
3 evasion or attempt to evade tax,
4 failure to collect, account for or pay over tax,

is fine not to exceed $1,000 or imprisonment not to exceed one year, or both, and, in addition thereto, a penalty of double the tax evaded. (*Sec.* 1004.)

STAMPS ON HAND

Assessment shall be made against taxpayers having stamps on hand on the effective day of this Law, for the difference between the prices paid and increased rate. (*Sec.* 1006.)

Regulations and Rulings

Commissioner of Internal Revenue, with approval of the Secretary of the Treasury, is authorized to make all needful regulations for enforcement of the law. (*Sec.* 1005.)

Tax on Contracts Before May 9, 1917

If a bona fide contract is made with a dealer prior to May 9, 1917, for the sale of beverages, cigars, cigarettes, tobacco, coffee, tea, sugar, chocolate, cocoa, saccharine, molasses, syrup, automobiles, cameras, boats, yachts, sporting goods, toilet articles, patent medicines and playing cards (or in the case of moving picture films, such a contract with a dealer for the sale or lease thereof), after the tax thereon takes effect, and if such contract does not permit the adding of the whole tax to the amount to be paid under the contract, the vendee, in lieu of the vendor, shall pay so much of the tax as is not permitted to be added to the contract price. Such taxes shall be paid to the vendor by the vendee, at the time the sale is consummated, and returned and paid to the United States by the vendor. (*Sec.* 1007.)

The term "dealer" includes a vendee who purchases with intent to use the article in the manufacture or production of another article intended for sale. (*Sec.* 1007.)

Payment in Advance

Income and excess profits taxes may be paid in advance, either in installments or in full.

Under regulations prescribed by the Secretary of the Treasury, taxpayers hereunder may make payment in advance in installments or in whole of an amount not in excess of the estimated taxes due from them. One-fourth of the tax shall be paid within thirty days, at least another one-fourth within two months, and additional one-fourth within four months after the close of the taxable

year, and the remainder before the time now fixed for such payment. (*Sec.* 1009.)

Credit of interest at 3% may be allowed on the advance installments, calculated from the date of payment to date when due, but shall not be allowed on payments in excess of the taxes due nor when made after four and one-half months after end of taxable year.

Payment by Uncertified Checks

Collectors of Internal Revenue are authorized to receive uncertified checks in payment of income and excess profits taxes, but if a check so received is not paid, all penalties shall apply in the same manner as if such check had not been tendered. (*Sec.* 1010.)

Provisions Separable

The adjudgment of any clause, sentence, paragraph or part of this law to be invalid shall not affect, impair or invalidate the remainder of the law. (*Sec.* 1300.)

Effective Date of Law

Unless otherwise specifically provided, this law shall take effect on the day following its passage. (*Sec.* 1302.)

War Tax Law

APPROVED OCTOBER 3, 1917

An Act to provide revenue to defray war expenses, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Title I—War Income Tax

Normal Tax Individual

SECTION 1. That in addition to the normal tax imposed by subdivision (a) of section one of the Act entitled "An Act to increase the revenue, and for other purposes," approved September eighth, nineteen hundred and sixteen, there shall be levied, assessed, collected, and paid a like normal tax of two per centum upon the income of every individual, a citizen or resident of the United States, received in the calendar year nineteen hundred and seventeen and every calendar year thereafter.

Surtax

SEC. 2. That in addition to the additional tax imposed by subdivision (b) of section one of such Act of September eighth, nineteen hundred and sixteen, there shall be levied, assessed, collected, and paid a like additional tax upon the income of every individual received in the calendar year nineteen hundred and seventeen and every calendar year thereafter, as follows:

One per centum per annum upon the amount by which the total net income exceeds $5,000 and does not exceed $7,500;

Two per centum per annum upon the amount by which the total net income exceeds $7,500 and does not exceed $10,000;

Three per centum per annum upon the amount by which the total net income exceeds $10,000 and does not exceed $12,500;

Four per centum per annum upon the amount by which the total net income exceeds $12,500 and does not exceed $15,000;

Five per centum per annum upon the amount by which the total net income exceeds $15,000 and does not exceed $20,000;

Seven per centum per annum upon the amount by which the total net income exceeds $20,000 and does not exceed $40,000;

Ten per centum per annum upon the amount by which the total net income exceeds $40,000 and does not exceed $60,000;

Fourteen per centum per annum upon the amount by which the total net income exceeds $60,000 and does not exceed $80,000;

Eighteen per centum per annum upon the amount by which the total net income exceeds $80,000 and does not exceed $100,000;

Twenty-two per centum per annum upon the amount by which the total net income exceeds $100,000 and does not exceed $150,000;

Twenty-five per centum per annum upon the amount by which the total net income exceeds $150,000 and does not exceed $200,000;

Thirty per centum per annum upon the amount by which the total net income exceeds $200,000 and does not exceed $250,000;

Thirty-four per centum per annum upon the amount by which the total net income exceeds $250,000 and does not exceed $300,000;

Thirty-seven per centum per annum upon the amount by which the total net income exceeds $300,000 and does not exceed $500,000;

Forty per centum per annum upon the amount by which the total net income exceeds $500,000 and does not exceed $750,000;

Forty-five per centum per annum upon the amount by which the total net income exceeds $750,000 and does not exceed $1,000,000;

Fifty per centum per annum upon the amount by which the total net income exceeds $1,000,000.

Collection

SEC. 3. That the taxes imposed by sections one and two of this Act shall be computed, levied, assessed, collected, and paid upon the same basis and in the same manner as the similar taxes imposed by section one of such Act of September eighth, nineteen hundred and sixteen, except that in the case of the tax imposed by section one of

this Act (a) the exemptions of $3,000 and $4,000 provided in section seven of such Act of September eighth, nineteen hundred and sixteen, as amended by this Act, shall be, respectively, $1,000 and $2,000, and (b) the returns required under subdivisions (b) and (c) of section eight of such Act as amended by this Act shall be required in the case of net incomes of $1,000 or over, in the case of unmarried persons, and $2,000 or over in the case of married persons, instead of $3,000 or over, as therein provided, and (c) the provisions of subdivision (c) of section nine of such Act, as amended by this Act, requiring the normal tax of individuals on income derived from interest to be deducted and withheld at the source of the income shall not apply to the new two per centum normal tax prescribed in section one of this Act until on and after January first, nineteen hundred and eighteen, and thereafter only one two per centum normal tax shall be deducted and withheld at the source under the provisions of such subdivision (c), and any further normal tax for which the recipient of such income is liable under this Act or such Act of September eighth, nineteen hundred and sixteen, as amended by this Act, shall be paid by such recipient.

Specific Exemption

Deduction at Source of Additional Normal Tax

SEC. 4. That in addition to the tax imposed by subdivision (a) of section ten of such Act of September eighth, nineteen hundred and sixteen, as amended by this Act, there shall be levied, assessed, collected, and paid a like tax of four per centum upon the income received in the calendar year nineteen hundred and seventeen and every calendar year thereafter, by every corporation, joint-stock company or association, or insurance company, subject to the tax imposed by that subdivision of that section, except that if it has fixed its own fiscal year, the tax imposed by this section for the fiscal year ending during the calendar year nineteen hundred and seventeen shall be levied, assessed, collected, and paid only on that proportion of its income for such fiscal year which the period between January first, nineteen hundred and seventeen and the end of such fiscal year bears to the whole of such fiscal year.

Corporations

Rate of Tax

Fiscal Year

The tax imposed by this section shall be computed, levied, assessed, collected, and paid upon the same incomes and in the same manner as the tax imposed by subdivision (a) of section ten of such Act of September eighth, nineteen hundred and sixteen, as amended by this Act, except that

Collection

Dividends

for the purpose of the tax imposed by this section the income embraced in a return of a corporation, joint-stock company or association, or insurance company, shall be credited with the amount received as dividends upon the stock or from the net earnings of any other corporation, joint-stock company or association, or insurance company, which is taxable upon its net income as provided in this title.

Porto Rico and Philippines

SEC. 5. That the provisions of this title shall not extend to Porto Rico or the Philippine Islands, and the Porto Rican or Philippine Legislature shall have power by due enactment to amend, alter, modify, or repeal the income tax laws in force in Porto Rico or the Philippine Islands, respectively.

Title II—War Excess Profits Tax

Definitions
Corporation
Domestic
Foreign

SEC. 200. That when used in this title—the term "Corporation" includes joint-stock companies or associations and insurance companies; the term "Domestic" means created under the law of the United States, or of any state, territory, or district thereof, and the term "Foreign" means created under the law of any other possession of the United States or of any foreign country or government;

United States

the term "United States" means only the States, the Territories of Alaska and Hawaii, and the District of Columbia;

Taxable Year

the term "Taxable Year" means the twelve months ending December thirty-first, excepting in the case of a corporation or partnership which has fixed its own fiscal year, in which case it means such fiscal year. The first

First Taxable Year

taxable year shall be the year ending December thirty-first, nineteen hundred and seventeen, except that in the case of a corporation or partnership which has fixed its own fiscal year, it shall be the fiscal year ending during the calendar year nineteen hundred and seventeen. If a corporation or partnership, prior to March first, nineteen hundred and eighteen, makes a return covering its own fiscal year, and includes therein the income received during that part of the fiscal year falling within the calendar year nineteen hundred and sixteen, the tax for such taxable year shall be that proportion of the tax computed upon the net income during such full fiscal year which the time from January first, nineteen hundred and seventeen, to the end of such fiscal year bears to the full fiscal

year; and the term "Pre-War Period" means the calendar years nineteen hundred and eleven, nineteen hundred and twelve, and nineteen hundred and thirteen, or, if a corporation or partnership was not in existence or an individual was not engaged in a trade or business during the whole of such period, then as many of such years during the whole of which the corporation or partnership was in existence or the individual was engaged in the trade or business. **Pre-War Period**

The terms "Trade" and "Business" include professions and occupations. **Trade Business**

The term "Net Income" means in the case of a foreign corporation or partnership or a nonresident alien individual, the net income received from sources within the United States. **Net Income**

SEC. 201. That in addition to the taxes under existing law and under this Act there shall be levied, assessed, collected and paid for each taxable year upon the income of every corporation, partnership, or individual, a tax (hereinafter in this title referred to as the tax) equal to the following percentages of the net income: **Rates of Tax**

Twenty per centum of the amount of the net income in excess of the deduction (determined as hereinafter provided) and not in excess of fifteen per centum of the invested capital for the taxable year; twenty-five per centum of the amount of the net income in excess of fifteen per centum and not in excess of twenty per centum of such capital; thirty-five per centum of the amount of the net income in excess of twenty per centum and not in excess of twenty-five per centum of such capital; forty-five per centum of the amount of the net income in excess of twenty-five per centum and not in excess of thirty-three per centum of such capital; and sixty per centum of the amount of the net income in excess of thirty-three per centum of such capital.

For the purpose of this title every corporation or partnership not exempt under the provisions of this section shall be deemed to be engaged in business, and all the trades and businesses in which it is engaged shall be treated as a single trade or business, and all its income from whatever source derived shall be deemed to be received from such trade or business. **Trade or Business of Corporation or Partnership**

Trades or Businesses Subject to Tax

This title shall apply to all trades or businesses of whatever description, whether continuously carried on or not, except—(a) In the case of officers and employees under the United States, or any State, Territory, or the District of Columbia, or any local subdivision thereof, the compensation or fees received by them as such officers or employees; (b) Corporations exempt from tax under the provisions of section eleven of Title I of such Act of September eighth, nineteen hundred and sixteen, as amended by this Act, and partnerships and individuals carrying on or doing the same business, or coming within the same description; and (c) Incomes derived from the business of life, health, and accident insurance combined in one policy issued on the weekly premium payment plan.

Certain Employees Exempt

Corporations Exempt

Insurance Business Exempt

Foreign Concerns

SEC. 202. That the tax shall not be imposed in the case of the trade or business of a foreign corporation or partnership or a nonresident alien individual, the net income of which trade or business during the taxable year is less than $3,000.

Deduction Determined

SEC. 203. That for the purposes of this title the deduction shall be as follows, except as otherwise in this title provided—(a) In the case of a domestic corporation, the sum of (1) an amount equal to the same percentage of the invested capital for the taxable year which the average amount of the annual net income of the trade or business during the pre-war period was of the invested capital for the pre-war period (but not less than seven or more than nine per centum of the invested capital for the taxable year), and (2) $3,000; (b) In the case of a domestic partnership or of a citizen or resident of the United States, the sum of (1) an amount equal to the same percentage of the invested capital for the taxable year which the average amount of the annual net income of the trade or business during the pre-war period was of the invested capital for the pre-war period (but not less than seven or more than nine per centum of the invested capital for the taxable year), and (2) $6,000; (c) In the case of a foreign corporation or partnership or of a nonresident alien individual, an amount ascertained in the same manner as provided in subdivisions (a) and (b), without any exemption of $3,000 or $6,000; (d) If the Secretary of the Treasury is unable satisfactorily to determine the average amount of the annual net income of the trade or business during the pre-war period, the deduction shall be determined in the same manner as provided in section two hundred and five.

Deduction Determined, Concern not Operating During Pre-War Period

SEC. 204. That if a corporation or partnership was not in existence, or an individual was not engaged in the trade or business, during the whole of any one calendar year during the pre-war period, the deduction shall be an amount equal to eight per centum of the invested capital for the taxable year, plus in the case of a domestic corporation $3,000, and in the case of a domestic partnership or a citizen or resident of the United States, $6,000.

A trade or business carried on by a corporation, partnership, or individual, although formally organized or reorganized on or after January second, nineteen hundred and thirteen, which is substantially a continuation of a trade or business carried on prior to that date, shall, for the purpose of this title, be deemed to have been in existence prior to that date, and the net income and invested capital of its predecessor prior to that date shall be deemed to have been its net income and invested capital.

Deduction Determined, Concern having no Pre-War Income or Subnormal Pre-War Income

SEC. 205. (a) That if the Secretary of the Treasury, upon complaint finds either (1) that during the pre-war period a domestic corporation or partnership, or a citizen or resident of the United States, had no net income from the trade or business, or (2) that during the pre-war period the percentage, which the net income was of the invested capital, was low as compared with the percentage, which the net income during such period of representative corporations, partnerships, and individuals, engaged in a like or similar trade or business, was of their invested capital, then the deduction shall be the sum of (1) an amount equal to the same percentage of its invested capital for the taxable year which the average deduction (determined in the same manner as provided in section two hundred and three, without including the $3,000 or $6,000 therein referred to) for such year of representative corporations, partnerships, or individuals, engaged in a like or similar trade or business, is of their average invested capital for such year, plus (2) in the case of a domestic corporation $3,000, and in the case of a domestic partnership or a citizen or resident of the United States, $6,000.

Determination of Percentage

The percentage which the net income was of the invested capital in each trade or business shall be determined by the Commissioner of Internal Revenue, in accordance with regulations prescribed by him, with the approval of

the Secretary of the Treasury. In the case of a corporation or partnership which has fixed its own fiscal year, the percentage determined for the calendar year ending during such fiscal year shall be used.

Claim for Abatement

(b) The tax shall be assessed upon the basis of the deduction determined as provided in section two hundred and three, but the taxpayer claiming the benefit of this section may at the time of making the return file a claim for abatement of the amount by which the tax so assessed exceeds a tax computed upon the basis of the deduction determined as provided in section two hundred and three, but the taxpayer claiming the benefit of this section may at the time of making the return file a claim for abatement of the amount by which the tax so assessed exceeds a tax computed upon the basis of the deduction determined as provided in this section. In such event, collection of the part of the tax covered by such claim for abatement shall not be made until the claim is decided, but if in the judgment of the Commissioner of Internal Revenue, the interests of the United States would be jeopardized thereby he may require the claimant to give a bond in such amount and with such sureties as the Commissioner may think wise to safeguard such interests, conditioned for the payment of any tax found to be due, with the interest thereon, and if such bond, satisfactory to the Commissioner, is not given within such time as he prescribes, the full amount of tax assessed shall be collected and the amount overpaid, if any, shall upon final decision of the application, be refunded as a tax erroneously or illegally collected.

Net Income Determined

Corporation

SEC. 206. That for the purposes of this title the net income of a corporation shall be ascertained and returned (a) for the calendar years nineteen hundred and eleven, and nineteen hundred and twelve, upon the same basis and in the same manner as provided in section thirty-eight of the Act entitled "An Act to Provide Revenue, Equalize Duties, and Encourage the Industries of the United States, and for Other Purposes," approved August fifth, nineteen hundred and nine, except that income taxes paid by it within the year imposed by the authority of the United States shall be included; (b) for the calendar year nineteen hundred and thirteen upon the same basis and in the same manner as provided in section II of the Act entitled "An Act to Reduce Tariff Duties and to Provide Revenue for the Government, and for Other

Purposes," approved October third, nineteen hundred and thirteen, except that income taxes paid by it within the year imposed by the authority of the United States shall be included, and except that the amounts received by it as dividends upon the stock or from the net earnings of other corporations, joint-stock companies or associations, or insurance companies, subject to the tax imposed by section II of such Act of October third, nineteen hundred and thirteen, shall be deducted; and (c) for the taxable year upon the same basis and in the same manner as provided in title I of the Act entitled "An Act to Increase the Revenue, and for Other Purposes," approved September eighth, nineteen hundred and sixteen, as amended by this Act, except that the amounts received by it as dividends upon the stock or from the net earnings of other corporations, joint-stock companies or associations, or insurance companies, subject to the tax imposed by title I of such Act of September eighth, nineteen hundred and sixteen, shall be deducted.

Partnerships and Individuals

The net income of a partnership or individual shall be ascertained and returned for the calendar years nineteen hundred and eleven, nineteen hundred and twelve, and nineteen hundred and thirteen, and for the taxable year, upon the same basis and in the same manner as provided in title I of such Act of September eighth, nineteen hundred and sixteen, as amended by this Act, except that the credit allowed by subdivision (b) of section five of such Act shall be deducted. There shall be allowed (a) in the case of a domestic partnership the same deductions as allowed to individuals in subdivision (a) of section five of such Act of September eighth, nineteen hundred and sixteen, as amended by this Act; and (b) in the case of a foreign partnership the same deductions as allowed to individuals in subdivision (a) of section six of such Act as amended by this Act.

Invested Capital Monthly Average

SEC. 207. That as used in this title the term "Invested Capital" for any year means the average invested capital for the year, as defined and limited in this title, averaged monthly.

Capital Excluded

As used in this title "Invested Capital" does not include stocks, bonds (other than obligations of the United States), or other assets, the income from which is not subject to the tax imposed by this title, nor money or

other property borrowed, and means, subject to the above limitations:

Domestic Corporations and Partnerships

(a) In the case of a corporation or partnership: (1) actual cash paid in, (2) the actual cash value of tangible property paid in other than cash, for stock or shares in such corporation or partnership, at the time of such payment (but in case such tangible property was paid in prior to January first, nineteen hundred and fourteen, the actual cash value of such property as of January first, nineteen hundred and fourteen, but in no case to exceed the par value of the original stock or shares specifically issued therefor), and (3) paid in or earned surplus and undivided profits used or employed in the business, exclusive of undivided profits earned during the taxable year: provided, that (a) the actual cash value of patents and copyrights paid in for stock or shares in such corporation or partnership, at the time of such payment, shall be included as invested capital, but not to exceed the par value of such stock or shares at the time of such payment, and (b) the good will, trade-marks, trade brands, the franchise of a corporation or partnership, or other intangible property, shall be included as invested capital if the corporation or partnership made payment bona fide therefor specifically as such in cash or tangible property, the value of such good will, trade-mark, trade brand, franchise, or intangible property, not to exceed the actual cash or actual cash value of the tangible property paid therefor at the time of such payment; but good will, trade-marks, trade brands, franchise of a corporation or partnership, or other intangible property, bona fide purchased, prior to March third, nineteen hundred and seventeen, for and with interests or shares in a partnership or for and with shares in the capital stock of a corporation (issued prior to March third, nineteen hundred and seventeen), in an amount not to exceed, on March third, nineteen hundred and seventeen, twenty per centum of the total interests or shares in the partnership or of the total shares of the capital stock of the corporation, shall be included in invested capital at a value not to exceed the actual cash value at the time of such purchase, and in case of issue of stock therefor not to exceed the par value of such stock.

Citizens or Residents of the United States

(b) In the case of an individual (1) actual cash paid into the trade or business, and (2) the actual cash value of tangible property paid into the trade or business, other than cash, at the time of such payment (but in case such

tangible property was paid in prior to January first, nineteen hundred and fourteen, the actual cash value of such property as of January first, nineteen hundred and fourteen), and (3) the actual cash value of patents, copyrights, good will, trade-marks, trade brands, franchises, or other intangible property, paid into the trade or business, at the time of such payment, if payment was made therefor specifically as such in cash or tangible property, not to exceed the actual cash or actual cash value of the tangible property bona fide paid therefor at the time of such payment.

Foreign Concerns and Non-Resident Aliens

In the case of a foreign corporation or partnership or of a nonresident alien individual the term "Invested Capital" means that proportion of the entire invested capital, as defined and limited in this title, which the net income from sources within the United States bears to the entire net income.

Reorganization, Consolidation, or Change of Ownership

SEC. 208. That in case of the reorganization, consolidation, or change of ownership of a trade or business after March third, nineteen hundred and seventeen, if an interest or control in such trade or business of fifty per centum or more remains in control of the same persons, corporations, associations, partnerships, or any of them, then in ascertaining the invested capital of the trade or business no asset transferred or received from the prior trade or business shall be allowed a greater value than would have been allowed under this title in computing the invested capital of such prior trade or business if such asset had not been so transferred or received, unless such asset was paid for specifically as such, in cash or tangible property, and then not to exceed the actual cash or actual cash value of the tangible property paid therefor at the time of such payment.

Tax on Business Having no Capital or Nominal Capital

SEC. 209. That in the case of a trade or business having no invested capital or not more than a nominal capital there shall be levied, assessed, collected, and paid, in addition to the taxes under existing law and under this Act, in lieu of the tax imposed by section two hundred and one, a tax equivalent to eight per centum of the net income of such trade or business, in excess of the following deductions: In the case of a domestic corporation, $3,000, and in the case of a domestic partnership, or a citizen or resident of the United States, $6,000, in the case of all other trades or business, no deduction.

Tax on Business, Invested Capital not Determinable

SEC. 210. That if the Secretary of the Treasury is unable in any case satisfactorily to determine the invested capital, the amount of the deduction shall be the sum of (1) an amount equal to the same proportion of the net income of the trade or business received during the taxable year as the proportion which the average deduction (determined in the same manner as provided in section two hundred and three, without including the $3,000 or $6,000 therein referred to) for the same calendar year of representative corporations, partnerships, and individuals, engaged in a like or similar trade or business, bears to the total net income of the trade or business received by such corporations, partnerships, and individuals, plus (2) in the case of a domestic corporation $3,000, and in the case of a domestic partnership or a citizen or resident of the United States, $6,000.

Determination by Commissioner

For the purpose of this section the proportion between the deduction and the net income in each trade or business shall be determined by the Commissioner of Internal Revenue in accordance with regulations prescribed by him, with the approval of the Secretary of the Treasury. In the case of a corporation or partnership which has fixed its own fiscal year, the proportion determined for the calendar year ending during such fiscal year shall be used.

Partnership Returns

SEC. 211. That every foreign partnership having a net income of $3,000 or more for the taxable year, and every domestic partnership having a net income of $6,000 or more for the taxable year, shall render a correct return of the income of the trade or business for the taxable year, setting forth specifically the gross income for such year, and the deductions allowed in this title. Such returns shall be rendered at the same time and in the same manner as is prescribed for income-tax returns under title I of such Act of September eighth, nineteen hundred and sixteen, as amended by this Act.

Administrative Provisions

SEC. 212. That all administrative, special and general provisions of law, including the laws in relation to the assessment, remission, collection, and refund of internal-revenue taxes not heretofore specifically repealed, and not inconsistent with the provisions of this title, are hereby extended and made applicable to all the provisions of this title and to the tax herein imposed, and all provisions of title I of such Act of September eighth, nineteen

hundred and sixteen, as amended by this Act, relating to returns and payment of the tax therein imposed, including penalties, are hereby made applicable to the tax imposed by this title.

Regulations

SEC. 213. That the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall make all necessary regulations for carrying out the provisions of this title, and may require any corporation, partnership, or individual, subject to the provisions of this title, to furnish him with such facts, data, and information as in his judgment are necessary to collect the tax imposed by this title.

Former Excess Profits Tax Repealed

SEC. 214. That title II (sections two hundred to two hundred and seven, inclusive) of the Act entitled "An Act to provide increased revenue to defray the expenses of the increased appropriations for the army and navy, and the extensions of fortifications, and for other purposes," approved March third, nineteen hundred and seventeen, is hereby repealed.

Any amount heretofore or hereafter paid on account of the tax imposed by such title II, shall be credited toward the payment of the tax imposed by this title, and if the amount so paid exceeds the amount of such tax the excess shall be refunded as a tax erroneously or illegally collected.

Munitions Tax

Subdivision (1) of section three hundred and one of such Act of September eighth, nineteen hundred and sixteen, is hereby amended so that the rate of tax for the taxable year nineteen hundred and seventeen shall be ten per centum instead of twelve and one-half per centum, as therein provided.

Subdivision (2) of such section is hereby amended to read as follows:

"(2) This section shall cease to be of effect on and after January first, nineteen hundred and eighteen."

Title III—War Tax on Beverages

Distilled Spirits

SEC. 300. That on and after the passage of this Act there shall be levied and collected on all distilled spirits in bond at that time or that have been or that may be then or thereafter produced in or imported into the United States,

except such distilled spirits as are subject to the tax provided in section three hundred and three, in addition to the tax now imposed by law, a tax of $1.10 (or, if withdrawn for beverage purposes, or for use in the manufacture or production of any article used or intended for use as a beverage, a tax of $2.10) on each proof gallon, or wine gallon when below proof, and a proportionate tax at a like rate on all fractional parts of such proof or wine gallon, to be paid by the distiller or importer when withdrawn, and collected under the provisions of existing law.

That in addition to the tax under existing law there shall be levied and collected upon all perfumes hereafter imported into the United States containing distilled spirits, a tax of $1.10 per wine gallon, and a proportionate tax at a like rate on all fractional parts of such wine gallon. Such tax shall be collected by the collector of customs and deposited as internal-revenue collections, under such rules and regulations as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may prescribe.

SEC. 301. That no distilled spirits produced after the passage of this Act shall be imported into the United States from any foreign country, or from the West Indian Islands recently acquired from Denmark (unless produced from products the growth of such islands, and not then into any State or Territory or District of the United States in which the manufacture or sale of intoxicating liquor is prohibited), or from Porto Rico, or the Philippine Islands. Under such rules, regulations, and bonds as the Secretary of the Treasury may prescribe, the provisions of this section shall not apply to distilled spirits imported for other than (1) beverage purposes or (2) use in the manufacture or production of any article used or intended for use as a beverage.

SEC. 302. That at registered distilleries producing alcohol, or other high-proof spirits, packages may be filled with such spirits reduced to not less than one hundred proof from the receiving cisterns and tax paid without being entered into bonded warehouse. Such spirits may also be transferred from the receiving cisterns at such distilleries, by means of pipe lines, direct to storage tanks in the bonded warehouse and may be warehoused in such storage tanks. Such spirits may be also transferred in tanks or tank cars to general

bonded warehouses for storage therein, either in storage tanks in such warehouses or in the tanks in which they were transferred. Such spirits may also be transferred after tax payment from receiving cisterns or warehouse storage tanks to tanks or tank cars and may be transported in such tanks or tank cars to the premises of rectifiers of spirits. The Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, is hereby empowered to prescribe all necessary regulations relating to the drawing off, transferring, gauging, storing and transporting of such spirits; the records to be kept and returns to be made; the size and kind of packages and tanks to be used; the marking, branding, numbering and stamping of such packages and tanks; the kinds of stamps, if any, to be used; and the time and manner of paying the tax; the kind of bond and the penal sum of same. The tax prescribed by law must be paid before such spirits are removed from the distillery premises, or from general bonded warehouse in the case of spirits transferred thereto, except as otherwise provided by law.

Under such regulations as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may prescribe, distilled spirits may hereafter be drawn from receiving cisterns and deposited in distillery warehouses without having affixed to the packages containing the same distillery warehouse stamps, and such packages, when so deposited in warehouse, may be withdrawn therefrom on the original gauge where the same have remained in such warehouse for a period not exceeding thirty days from the date of deposit.

Under such regulations as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may prescribe, the manufacture, warehousing, withdrawal, and shipment, under the provisions of existing law, of ethyl alcohol for other than (1) beverage purposes or (2) use in the manufacture or production of any article used or intended for use as a beverage, and denatured alcohol, may be exempted from the provisions of section thirty-two hundred and eighty-three, Revised Statutes of the United States.

Under such regulations as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may prescribe, manufacturers of ethyl alcohol for other than beverage purposes may be granted per-

mission under the provisions of section thirty-two hundred and eighty-five, Revised Statutes of the United States, to fill fermenting tubs in a sweet-mash distillery not oftener than once in forty-eight hours.

SEC. 303. That upon all distilled spirits produced in or imported into the United States upon which the tax now imposed by law has been paid, and which, on the day this Act is passed, are held by a retailer in a quantity in excess of fifty gallons in the aggregate, or by any other person, corporation, partnership, or association in any quantity, and which are intended for sale, there shall be levied, assessed, collected and paid a tax of $1.10 (or, if intended for sale for beverage purposes, or for use in the manufacture or production of any article used or intended for use as a beverage, a tax of $2.10) on each proof gallon, and a proportionate tax at a like rate on all fractional parts of such proof gallon: *Provided*, That the tax on such distilled spirits in the custody of a court of bankruptcy in insolvency proceedings on June first, nineteen hundred and seventeen, shall be paid by the person to whom the court delivers such distilled spirits at the time of such delivery, to the extent that the amount thus delivered exceeds the fifty gallons hereinbefore provided.

Rectified Spirits

SEC. 304. That in addition to the tax now imposed or imposed by this Act on distilled spirits there shall be levied, assessed, collected, and paid a tax of 15 cents on each proof gallon and a proportionate tax at a like rate on all fractional parts of such proof gallon on all distilled spirits or wines hereafter rectified, purified, or refined in such manner, and on all mixtures hereafter produced in such manner, that the person so rectifying, purifying, refining, or mixing the same is a rectifier within the meaning of section thirty-two hundred and forty-four, Revised Statutes, as amended, and on all such articles in the possession of the rectifier on the day this Act is passed: *Provided*, That this tax shall not apply to gin produced by the redistillation of a pure spirit over juniper berries and other aromatics.

When the process of rectification is completed and the tax prescribed by this section has been paid, it shall be unlawful for the rectifier or other dealer to reduce in proof or increase in volume such spirits or wine by the addition of water or other substance; nothing herein contained

shall, however, prevent a rectifier from using again in the process of rectification spirits already rectified and upon which the tax has theretofore been paid.

The tax imposed by this section shall not attach to cordials or liqueurs on which a tax is imposed and paid under the Act entitled "An Act to increase the revenue, and for other purposes," approved September eighth, nineteen hundred and sixteen, nor to the mixing and blending of wines, where such blending is for the sole purpose of perfecting such wines according to commercial standards, nor to blends made exclusively of two or more pure straight whiskies aged in wood for a period not less than four years and without the addition of coloring or flavoring matter or any other substance than pure water and if not reduced below ninety proof: *Provided*, That such blended whiskies shall be exempt from tax under this section only when compounded under the immediate supervision of a revenue officer, in such tanks and under such conditions and supervision as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may prescribe.

All distilled spirits taxable under this section shall be subject to uniform regulations concerning the use thereof in the manufacture, blending, compounding, mixing, marking, branding, and sale of whisky and rectified spirits, and no discrimination whatsoever shall be made by reason of a difference in the character of the material from which same may have been produced.

The business of a rectifier of spirits shall be carried on, and the tax on rectified spirits shall be paid, under such rules, regulations, and bonds as may be prescribed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury.

Any person violating any of the provisions of this section shall be deemed to be guilty of a misdemeanor and, upon conviction, shall be fined not more than $1,000 or imprisoned not more than two years. He shall, in addition, be liable to double the tax evaded, together with the tax, to be collected by assessment or on any bond given.

SEC. 305. That hereafter collectors of internal revenue shall not furnish wholesale liquor dealer's stamps in lieu of and in exchange for stamps for rectified spirits unless the package covered by stamp for rectified spirits is to be broken into smaller packages.

The Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, is authorized to discontinue the use of the following stamps whenever in his judgment the interests of the Government will be subserved thereby:

Distillery warehouse, special bonded warehouse, special bonded rewarehouse, general bonded warehouse, general bonded retransfer, transfer brandy, export tobacco, export cigars, export oleomargarine and export fermented liquor stamps.

SEC. 306. That the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, is hereby authorized to require at distilleries, breweries, rectifying houses, and wherever else in his judgment such action may be deemed advisable, the installation of meters, tanks, pipes, or any other apparatus for the purpose of protecting the revenue, and such meters, tanks, and pipes and all necessary labor incident thereto shall be at the expense of the person, corporation, partnership, or association on whose premises the installation is required. Any such person, corporation, partnership, or association refusing or neglecting to install such apparatus when so required by the commissioner shall not be permitted to conduct business on such premises.

Fermented Liquors

SEC. 307. That on and after the passage of this Act there shall be levied and collected on all beer, lager beer, ale, porter, and other similar fermented liquor, containing one-half per centum or more of alcohol, brewed or manufactured and sold, or stored in warehouse, or removed for consumption or sale, within the United States, by whatever name such liquors may be called, in addition to the tax now imposed by law, a tax of $1.50 for every barrel containing not more than thirty-one gallons, and at a like rate for any other quantity or for the fractional parts of a barrel authorized and defined by law.

SEC. 308. That from and after the passage of this Act taxable fermented liquors may be conveyed without payment of tax from the brewery premises where produced to a contiguous industrial distillery of either class established under the Act of October third, nineteen hundred and thirteen, to be used as distilling material, and the residue from such distillation, containing less than one-half of one per centum of alcohol by volume, which is to be used in making beverages, may be manipulated by

cooling, flavoring, carbonating, settling, and filtering on the distillery premises or elsewhere.

The removal of the taxable fermented liquor from the brewery to the distillery and the operation of the distillery and removal of the residue therefrom shall be under the supervision of such officer or officers as the Commissioner of Internal Revenue shall deem proper, and the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, is hereby authorized to make such regulations from time to time as may be necessary to give force and effect to this section and to safeguard the revenue.

Wines and Cordials

SEC. 309. That upon all still wines, including Vermuth, and upon all Champagne and other Sparkling Wines, Liqueurs, Cordials, Artificial or Imitation Wines or Compounds sold as Wine, produced in or imported into the United States, and hereafter removed from the customhouse, place of manufacture, or from bonded premises for sale or consumption, there shall be levied and collected, in addition to the tax now imposed by law upon such articles, a tax equal to such tax, to be levied, collected, and paid under the provisions of existing law.

SEC. 310. That upon all articles specified in section three hundred and nine upon which the tax now imposed by law has been paid and which are on the day this Act is passed held in excess of twenty-five gallons in the aggregate of such articles and intended for sale, there shall be levied, collected, and paid a tax equal to the tax imposed by such section.

Grape Brandy

SEC. 311. That upon all grape brandy or wine spirits withdrawn by a producer of wines from any fruit distillery or special bonded warehouse under subdivision (c) of section four hundred and two of the Act entitled "An Act to increase the revenue, and for other purposes," approved September eighth, nineteen hundred and sixteen, there shall be levied, assessed, collected, and paid in addition to the tax therein imposed, a tax equal to double such tax, to be assessed, collected, and paid under the provisions of existing law.

Sweet Wines

SEC. 312. That upon all sweet wines held for sale by the producer thereof upon the day this Act is passed there shall be levied, assessed, collected, and paid an additional tax equivalent to 10 cents per proof gallon upon the grape brandy or wine spirits used in the fortification of such wine, and an additional tax of 20 cents per proof gallon

shall be levied, assessed, collected, and paid upon all grape brandy or wine spirits withdrawn by a producer of sweet wines for the purpose of fortifying such wines and not so used prior to the passage of this Act.

SEC. 313. That there shall be levied, assessed, collected, and paid—

Sirups and Extracts

(a) Upon all prepared sirups or extracts (intended for use in the manufacture or production of beverages, commonly known as soft drinks, by soda fountains, bottling establishments, and other similar places) sold by the manufacturer, producer, or importer thereof, if so sold for not more than $1.30 per gallon, a tax of 5 cents per gallon; if so sold for more than $1.30 and not more than $2 per gallon, a tax of 8 cents per gallon; if so sold for more than $2 and not more than $3 per gallon, a tax of 10 cents per gallon; if so sold for more than $3 and not more than $4 per gallon, a tax of 15 cents per gallon; and if so sold for more than $4 per gallon, a tax of 20 cents per gallon; and

Soft Drinks

(b) Upon all unfermented grape juice, soft drinks or artificial mineral waters (not carbonated), and fermented liquors containing less than one-half per centum of alcohol, sold by the manufacturer, producer, or importer thereof, in bottles or other closed containers, and upon all ginger ale, root beer, sarsaparilla, pop, and other carbonated waters or beverages, manufactured and sold by the manufacturer, producer, or importer of the carbonic acid gas used in carbonating the same, a tax of 1 cent per gallon; and

Mineral Waters

(c) Upon all natural mineral waters or table waters, sold by the producer, bottler, or importer thereof, in bottles or other closed containers, at over 10 cents per gallon, a tax of 1 cent per gallon.

Monthly Returns

SEC. 314. That each such manufacturer, producer, bottler, or importer shall make monthly returns under oath to the collector of internal revenue for the district in which is located the principal place of business, containing such information necessary for the assessment of the tax, and at such times and in such manner, as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may by regulation prescribe.

Carbonic Acid Gas

SEC. 315. That upon all carbonic acid gas in drums or other containers (intended for use in the manufacture or production of carbonated water or other drinks) sold by the manufacturer, producer, or importer thereof, there shall be levied, assessed, collected, and paid a tax of 5 cents per

pound. Such tax shall be paid by the purchaser to the vendor thereof and shall be collected, returned, and paid to the United States by such vendor in the same manner as provided in section five hundred and three.

Title IV—War Tax on Cigars, Tobacco, and Manufactures Thereof

Cigars

SEC. 400. That upon cigars and cigarettes, which shall be manufactured and sold, or removed for consumption or sale, there shall be levied and collected, in addition to the taxes now imposed by existing law, the following taxes, to be paid by the manufacturer or importer thereof: (a) on cigars of all descriptions made of tobacco, or any substitute therefor, and weighing not more than three pounds per thousand, 25 cents per thousand; (b) on cigars made of tobacco, or any substitute therefor, and weighing more than three pounds per thousand, if manufactured or imported to retail at 4 cents or more each, and not more than 7 cents each, $1 per thousand; (c) if manufactured or imported to retail at more than 7 cents each and not more than 15 cents each, $3 per thousand; (d) if manufactured or imported to retail at more than 15 cents each and not more than 20 cents each, $5 per thousand; (e) if manufactured or imported to retail at more than 20 cents each, $7 per thousand: *Provided*, That the word "retail" as used in this section shall mean the ordinary retail price of a single cigar, and that the Commissioner of Internal Revenue may, by regulation, require the manufacturer or importer to affix to each box or container a conspicuous label indicating by letter the clause of this section under which the cigars therein contained have been tax-paid, which must correspond with the tax-paid stamp on said box or container; (f) on cigarettes made of tobacco, or any substitute therefor, made in or imported into the United States, and weighing not more than three pounds per thousand, 80 cents per thousand; weighing more than three pounds per thousand, $1.20 per thousand.

Cigarettes

Packages for Cigarettes

Every manufacturer of cigarettes (including small cigars weighing not more than three pounds per thousand) shall put up all the cigarettes and such small cigars that he manufactures or has manufactured for him, and sells or removes for consumption or use, in packages or parcels containing five, eight, ten, twelve, fifteen, sixteen, twenty,

twenty-four, forty, fifty, eighty, or one hundred cigarettes each, and shall securely affix to each of said packages or parcels a suitable stamp denoting the tax thereon and shall properly cancel the same prior to such sale or removal for consumption or use under such regulations as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall prescribe; and all cigarettes imported from a foreign country shall be packed, stamped, and the stamps canceled in a like manner, in addition to the import stamp indicating inspection of the custom-house before they are withdrawn therefrom.

Tobacco and Snuff

SEC. 401. That upon all tobacco and snuff hereafter manufactured and sold, or removed for consumption or use, there shall be levied and collected, in addition to the tax now imposed by law upon such articles, a tax of 5 cents per pound, to be levied, collected, and paid under the provisions of existing law.

Packages for Tobacco and Snuff

In addition to the packages provided for under existing law, manufactured tobacco and snuff may be put up and prepared by the manufacturer for sale or consumption, in packages of the following description: Packages containing one-eighth, three-eighths, five-eighths, seven-eighths, one and one-eighth, one and three-eighths, one and five-eighths, one and seven-eighths, and five ounces.

Effective Date of Tax

SEC. 402. That sections four hundred, four hundred and one, and four hundred and four, shall take effect thirty days after the passage of this Act: *Provided*, That after the passage of this Act and before the expiration of the aforesaid thirty days, cigarettes and manufactured tobacco and snuff may be put up in the packages now provided for by law or in the packages provided for in sections four hundred and four hundred and one.

SEC. 403. That there shall also be levied and collected, upon all manufactured tobacco and snuff in excess of one hundred pounds, or upon cigars or cigarettes in excess of one thousand, which were manufactured or imported, and removed from factory or custom-house prior to the passage of this Act, bearing tax-paid stamps affixed to such articles for the payment of the taxes thereon, and which are, on the day after this Act is passed, held and intended for sale by any person, corporation, partnership, or association, and upon all manufactured tobacco, snuff, cigars, or cigarettes, removed from factory or custom-house after the passage of this Act, but prior to

the time when the tax imposed by section four hundred or section four hundred and one, upon such articles takes effect, an additional tax equal to one-half the tax imposed by such sections upon such articles.

Cigarette Papers and Tubes

SEC. 404. That there shall be levied, assessed, and collected upon cigarette paper made up into packages, books, sets, or tubes, made up in or imported into the United States and intended for use by the smoker in making cigarettes the following taxes: On each package, book, or set, containing more than twenty-five but not more than fifty papers, one-half of 1 cent; containing more than fifty but not more than one hundred papers, 1 cent; containing more than one hundred papers, 1 cent for each one hundred papers or fractional part thereof; and upon tubes, 2 cents for each one hundred tubes or fractional part thereof.

Title V—War Tax on Facilities Furnished by Public Utilities and Insurance

Freight

Express

Passenger Transportation

SEC. 500. That from and after the first day of November, nineteen hundred and seventeen, there shall be levied, assessed, collected, and paid (a) a tax equivalent to three per centum of the amount paid for the transportation by rail or water or by any form of mechanical motor power when in competition with carriers by rail or water of property by freight consigned from one point in the United States to another; (b) a tax of 1 cent for each 20 cents, or fraction thereof, paid to any person, corporation, partnership, or association, engaged in the business of transporting parcels or packages by express over regular routes between fixed terminals, for the transportation of any package, parcel, or shipment by express from one point in the United States to another: *Provided*, That nothing herein contained shall be construed to require the carrier collecting such tax to list separately in any bill of lading, freight receipt, or other similar document, the amount of the tax herein levied, if the total amount of the freight and tax be therein stated; (c) a tax equivalent to eight per centum of the amount paid for the transportation of persons by rail or water, or by any form of mechanical motor power, on a regular established line, when in

competition with carriers by rail or water, from one point in the United States to another or to any point in Canada or Mexico, where the ticket therefor is sold or issued in the United States, not including the amount paid for commutation or season tickets for trips less than thirty miles, or for transportation the fare for which does not exceed 35 cents, and a tax equivalent to ten per centum of the amount paid for seats, berths, and staterooms in parlor cars, sleeping cars, or on vessels. If a mileage book used for such transportation or accommodation has been purchased before this section takes effect, or if cash fare be paid, the tax imposed by this section shall be collected from the person presenting the mileage book, or paying the cash fare, by the conductor or other agent, when presented for such transportation or accommodation, and the amount so collected shall be paid to the United States in such manner and at such times as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may prescribe; if a ticket (other than a mileage book) is bought and partially used before this section goes into effect it shall not be taxed, but if bought but not so used before this section takes effect, it shall not be valid for passage until the tax has been paid and such payment evidenced on the ticket in such manner as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may by regulation prescribe; (d) a tax equivalent to five per centum of the amount paid for the transportation of oil by pipe line; (e) a tax of 5 cents upon each telegraph, telephone, or radio, dispatch, message, or conversation, which originates within the United States, and for the transmission of which a charge of 15 cents or more is imposed: *Provided*, That only one payment of such tax shall be required, notwithstanding the lines or stations of one or more persons, corporations, partnerships, or associations shall be used for the transmission of such dispatch, message, or conversation.

Staterooms Seats and Berths

Pipe Lines

Telephone and Telegraph Messages

Payment of Tax

SEC. 501. That the taxes imposed by section five hundred shall be paid by the person, corporation, partnership, or association paying for the services or facilities rendered.

In case such carrier does not, because of its ownership of the commodity transported, or for any other reason, receive the amount which as a carrier it would otherwise charge, such carrier shall pay a tax equivalent to the tax

which would be imposed upon the transportation of such commodity if the carrier received payment for such transportation: *Provided*, That in case of a carrier which on May first, nineteen hundred and seventeen, had no rates or tariffs on file with the proper Federal or State authority, the tax shall be computed on the basis of the rates or tariffs of other carriers for like services as ascertained and determined by the Commissioner of Internal Revenue: *Provided further*, That nothing in this or the preceding section shall be construed as imposing a tax (a) upon the transportation of any commodity which is necessary for the use of the carrier in the conduct of its business as such and is intended to be so used or has been so used; or (b) upon the transportation of company material transported by one carrier, which constitutes a part of a railroad system for another carrier which is also a part of the same system. Transportation

SEC. 502. That no tax shall be imposed under section five hundred upon any payment received for services rendered to the United States, or any State, Territory, or the District of Columbia. The right to exemption under this section shall be evidenced in such manner as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may by regulation prescribe. Officers and Employes of U. S. or States

SEC. 503. That each person, corporation, partnership, or association receiving any payments referred to in section five hundred shall collect the amount of the tax, if any, imposed by such section from the person, corporation, partnership, or association making such payments, and shall make monthly returns under oath, in duplicate, and pay the taxes so collected and the taxes imposed upon it under paragraph two of section five hundred and one to the collector of internal revenue of the district in which the principal office or place of business is located. Such returns shall contain such information, and be made in such manner, as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may by regulation prescribe. Returns

SEC. 504. That from and after the first day of November, nineteen hundred and seventeen, there shall be levied, assessed, collected, and paid the following taxes on the issuance of insurance policies:

(a) Life Insurance: A tax equivalent to 8 cents on each $100 or fractional part thereof of the amount for which any life is insured under any policy of insurance, Life Insurance

or other instrument, by whatever name the same is called: *Provided*, That on all policies for life insurance only by which a life is insured not in excess of $500, issued on the industrial or weekly payment plan of insurance, the tax shall be forty per centum of the amount of the first weekly premium: *Provided further*, That policies of reinsurance shall be exempt from the tax imposed by this subdivision.

Marine, Inland, and Fire Insurance

(b) Marine, Inland, and Fire Insurance: A tax equivalent to 1 cent on each dollar or fractional part thereof of the premium charged under each policy of insurance or other instrument by whatever name the same is called, whereby insurance is made or renewed upon property of any description (including rents or profits), whether against peril by sea or inland waters, or by fire or lightning, or other peril: *Provided*, That policies of reinsurance shall be exempt from the tax imposed by this subdivision.

Casualty Insurance

(c) Casualty Insurance: A tax equivalent to 1 cent on each dollar or fractional part thereof of the premium charged under each policy of insurance or obligation of the nature of indemnity for loss, damage, or liability (except bonds taxable under subdivision two of schedule A of title VIII) issued or executed or renewed by any person, corporation, partnership, or association, transacting the business of employer's liability, workmen's compensation, accident, health, tornado, plate glass, steam boiler, elevator, burglary, automatic sprinkler, automobile, or other branch of insurance (except life insurance, and insurance described and taxed in the preceding subdivision): *Provided*, That policies of reinsurance be exempt from the tax imposed by this subdivision.

Insurance Exempt

(d) Policies issued by any person, corporation, partnership, or association, whose income is exempt from taxation under title I of the Act entitled "An Act to increase the revenue, and for other purposes," approved September eighth, nineteen hundred and sixteen, shall be exempt from the taxes imposed by this section.

Title VI—Excise Taxes

Returns

SEC. 505. That every person, corporation, partnership, or association, issuing policies of insurance upon the issuance of which a tax is imposed by section five hundred and four, shall, within the first fifteen days of each month,

make a return under oath, in duplicate, and pay such tax to the collector of internal revenue of the district in which the principal office or place of business of such person, corporation, partnership, or association is located. Such returns shall contain such information and be made in such manner as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may by regulation prescribe.

SEC. 600. That there shall be levied, assessed, collected, and paid—

Automobiles and Motorcycles

(a) Upon all automobiles, automobile trucks, automobile wagons, and motorcycles, sold by the manufacturer, producer, or importer, a tax equivalent to three per centum of the price for which so sold; and

Piano Players and Phonographs

(b) Upon all piano players, graphophones, phonographs, talking machines, and records used in connection with any musical instrument, piano player, graphophone, phonograph, or talking machine, sold by the manufacturer, producer, or importer, a tax equivalent to three per centum of the price for which so sold; and

Films

(c) Upon all moving-picture films (which have not been exposed) sold by the manufacturer or importer, a tax equivalent to one-fourth of 1 cent per linear foot; and

Films

(d) Upon all positive moving-picture films (containing a picture ready for projection) sold or leased by the manufacturer, producer, or importer, a tax equivalent to one-half of 1 cent per linear foot; and

Jewelry

(e) Upon any article commonly or commercially known as jewelry, whether real or imitation, sold by the manufacturer, producer, or importer thereof, a tax equivalent to three per centum of the price for which so sold; and

Sporting Goods, Games and Toys

(f) Upon all tennis rackets, golf clubs, baseball bats, lacrosse sticks, balls of all kinds, including baseballs, foot balls, tennis, golf, lacrosse, billiard and pool balls, fishing rods and reels, billiard and pool tables, chess and checker boards and pieces, dice, games and parts of games, except playing cards and children's toys and games, sold by the manufacturer, producer, or importer, a tax equivalent to three per centum of the price for which so sold; and

Toilet Articles

(g) Upon all perfumes, essences, extracts, toilet waters, cosmetics, petroleum jellies, hair oils, pomades, hair dressings, hair restoratives, hair dyes, tooth and mouth washes, dentrifices, tooth pastes, aromatic cachous, toilet soaps and powders, or any similar substance, article, or preparation by whatsoever name known or distinguished, upon all of the above which are used or applied or intended to be used or applied for toilet purposes, and which are sold by the manufacture, importer, or producer, a tax equivalent to two per centum of the price for which so sold; and

Patent Medicines

(h) Upon all pills, tablets, powders, tinctures, troches or lozenges, sirups, medicinal cordials or bitters, anodynes, tonics, plasters, liniments, salves, ointments, pastes, drops, waters (except those taxed under section three hundred and thirteen of this Act), essences, spirits, oils, and all medicinal preparations, compounds, or compositions whatsoever, the manufacturer or producer of which claims to have any private formula, secret, or occult art for making or preparing the same, or has or claims to have any exclusive right or title to the making or preparing the same, or which are prepared, uttered, vended, or exposed for sale under any letters patent, or trade-mark, or which, if prepared by any formula, published or unpublished, are held out or recommended to the public by the makers, venders, or proprietors thereof as proprietary medicines or medicinal proprietary articles or preparations, or as remedies or specifics for any disease, diseases, or affection whatever affecting the human or animal body, and which are sold by the manufacturer, producer, or importer, a tax equivalent to two per centum of the price for which so sold; and

Chewing Gum

(i) Upon all chewing gum or substitute therefor sold by the manufacturer, producer, or importer, a tax equivalent to two per centum of the price for which so sold; and

Cameras

(j) Upon all cameras sold by the manufacturer, producer, or importer, a tax equivalent to three per centum of the price for which so sold.

SEC. 601. That each manufacturer, producer, or importer of any of the articles enumerated in section six hundred shall make monthly returns under oath in duplicate and pay the taxes imposed on such articles by this title to the collector of internal revenue for the district in which is located the principal place of business.

Such returns shall contain such information and can be made at such times and in such manner as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may by regulations prescribe. **Returns**

SEC. 602. That upon all articles enumerated in subdivisions (a), (b), (e), (f), (g), (h), (i), or (j) of section six hundred, which on the day this Act is passed are held and intended for sale by any person, corporation, partnership, or association, other than (1) a retailer who is not also a wholesaler or (2) the manufacturer, producer, or importer thereof, there shall be levied, assessed, collected, and paid, a tax equivalent to one-half the tax imposed by each such subdivision upon the sale of the articles therein enumerated. This tax shall be paid by the person, corporation, partnership, or association so holding such articles. **Articles Held for Sale**

The taxes imposed by this section shall be assessed, collected, and paid in the same manner as provided in section ten hundred and two in the case of additional taxes upon articles upon which the tax imposed by existing law has been paid. **Collection of Tax**

Nothing in this section shall be construed to impose a tax upon articles sold and delivered prior to May ninth, nineteen hundred and seventeen, where the title is reserved in the vendor as security for the payment of the purchase money.

SEC. 603. That on the day this Act takes effect, and thereafter on July first in each year, and also at the time of the original purchase of a new boat by a user, if on any other date than July first, there shall be levied, assessed, collected, and paid, upon the use of yachts, pleasure boats, power boats, and sailing boats, of over five net tons, and motor boats with fixed engines, not used exclusively for trade or national defense, or not built according to plans and specifications approved by the Navy Department, an excise tax to be based on each yacht or boat, at rates as follows: Yachts, pleasure boats, power boats, motor boats with fixed engines, and sailing boats, of over five net tons, length not over fifty feet, 50 cents for each foot, length over fifty feet and not over one hundred feet, $1.00 for each foot, length over one hundred feet, $2.00 for each foot; motor boats of not over five net tons with fixed engines, $5.00. **Boats and Yachts**

In determining the length of such yachts, pleasure boats power boats, motor boats with fixed engines, and sailing boats, the measurement of over-all length shall govern.

In the case of a tax imposed at the time of the original purchase of a new boat on any other date than July first, the amount to be paid shall be the same number of twelfths of the amount of the tax as the number of calendar months, including the month of sale, remaining prior to the following July first.

Title VII—War Tax on Admissions and Dues

Admissions Rate of Tax

SEC. 700. That from and after the first day of November, nineteen hundred and seventeen, there shall be levied, assessed, collected, and paid (a) a tax of 1 cent for each 10 cents or fraction thereof of the amount paid for admission to any place, including admission by season ticket or subscription, to be paid by the person paying for such admission: *Provided*, That the tax on admission of

Children

children under twelve years of age, where an admission charge for such children is made, shall in every case be 1 cent; and persons (except bona fide employees, municipal officers on official business, and

Free Admissions

children under twelve years of age) admitted free to any place at a time when and under circumstances under which an admission charge is made to other persons of the same class, a tax of 1 cent for each 10 cents or fraction thereof of the price so charged to such other persons for the same or similar accommodations, to be paid by the

Cabarets

persons so admitted; and (c) a tax of 1 cent for each 10 cents or fraction thereof paid for admission to any public performance for profit at any cabaret or other similar entertainment to which the charge for admission is wholly or in part included in the price paid for refreshment, service, or merchandise; the amount paid for such admission to be computed under rules prescribed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, such tax to be paid by the person paying for such refreshment, service, or merchandise. In the case of persons having the permanent use of

Seats and Boxes for Permanent Use

boxes or seats in an opera house or any place of amusement or a lease for the use of such box or seat in such opera house or place of amusement, there shall be levied, assessed, collected, and paid a tax equivalent to ten per

centum of the amount for which a similar box or seat is sold for performance or exhibition at which the box or seat is used or reserved by or for the lessee or holder. These taxes shall not be imposed in the case of a place the maximum charge for admission to which is 5 cents, or in the case of shows, rides, and other amusements (the maximum charge for admission to which is 10 cents) within outdoor general amusement parks, or in the case of admissions to such parks.

Admissions Exempt

No tax shall be levied under this title in respect to any admissions all the proceeds of which inure exclusively to the benefit of religious, educational, or charitable institutions, societies, or organizations, or admissions to agricultural fairs, none of the profits of which are distributed to stockholders or members of the association conducting the same.

Religious and Charitable Entertainments

The term "admission" as used in this title includes seats and tables, reserved or otherwise, and other similar accommodations, and the charges made therefor.

Admission Defined

SEC. 701. That from and after the first day of November, nineteen hundred and seventeen, there shall be levied, assessed, collected, and paid, a tax equivalent to ten per centum of any amount paid as dues or membership fees (including initiation fees), to any social, athletic, or sporting club or organization, where such dues or fees are in excess of $12 per year; such taxes to be paid by the person paying such dues or fees: *Provided*, That there shall be exempted from the provisions of this section all amounts paid as dues or fees to a fraternal beneficiary society, order, or association, operating under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system, and providing for the payment of life, sick, accident, or other benefits to the members of such society, order, or association or their dependents.

Dues

SEC. 702. That every person, corporation, partnership, or association (a) receiving any payments for such admission, dues, or fees, shall collect the amount of the tax imposed by section seven hundred or seven hundred and one from the person making such payments, or (b) admitting any person free to any place for admission to which a charge is made shall collect the amount of the tax imposed by section seven hundred from the person so admitted, and (c) in either case shall make returns and payments of the amounts so collected, at the same time

Collection of Tax

and in the same manner as provided in section five hundred and three of this Act.

Title VIII—War Stamp Taxes

SEC. 800. That on and after the first day of December, nineteen hundred and seventeen, there shall be levied, collected, and paid, for and in respect of the several bonds, debentures, or certificates of stock and of indebtedness and other documents, instruments, matters, and things mentioned and described in Schedule A of this title, or for or in respect of the vellum, parchment, or paper upon which such instruments, matters, or things, or any of them, are written or printed, by any person, corporation, partnership, or association who makes, signs, issues, sells, removes, consigns, or ships the same, or for whose use or benefit the same are made, signed, issued, sold, removed, consigned, or shipped, the several taxes specified in such schedule.

Instruments Exempt

SEC. 801. That there shall not be taxed under this title any bond, note, or other instrument, issued by the United States, or by any foreign Government, or by any State, Territory, or the District of Columbia, or local subdivision thereof, or municipal or other corporation exercising the taxing power, when issued in the exercise of a strictly governmental, taxing, or municipal function; or stocks and bonds issued by cooperative building and loan associations which are organized and operated exclusively for the benefit of their members and make loans only to their shareholders, or by mutual ditch or irrigating companies.

Penalty

SEC. 802. That whoever—

(a) Makes, signs, issues, or accepts, or causes to be made, signed, issued, or accepted, any instrument, document, or paper of any kind or description whatsoever without the full amount of tax thereon being duly paid;

(b) Consigns or ships, or causes to be consigned or shipped, by parcel post any parcel, package, or article without the full amount of tax being duly paid;

(c) Manufacturers or imports and sells, or offers for sale, or causes to be manufactured or imported and sold, or offered for sale, any playing cards, package, or other article without the full amount of tax being duly paid;

(d) Makes use of an adhesive stamp to denote any tax imposed by this title without canceling or obliterating such stamp as prescribed in section eight hundred and four;

Is guilty of a misdemeanor and upon conviction thereof shall pay a fine of not more than $100 for each offense.

SEC. 803. That whoever—

(a) Fraudulently cuts, tears, or removes from any vellum, parchment, paper, instrument, writing, package, or article, upon which any tax is imposed by this title, any adhesive stamp or the impression of any stamp, die, plate, or other article provided, made, or used in pursuance of this title; (b) Fraudulently uses, joins, fixes, or places to, with, or upon any vellum, parchment, paper, instrument, writing, package, or article, upon which any tax is imposed by this title, (1) any adhesive stamp, or the impression of any stamp, die, plate, or other article, which has been cut, torn, or removed from any other vellum, parchment, paper, instrument, writing, package, or article, upon which any tax is imposed by this title or (2) any adhesive stamp or the impression of any stamp, die, plate, or other article of insufficient value; or (3) any forged or counterfeit stamp, or the impression of any forged or counterfeited stamp, die, plate, or other article;

(c) Willfully removes, or alters the cancellation, or defacing marks of, or otherwise prepares, any adhesive stamp, with intent to use, or cause the same to be used, after it has been already used, or knowingly or willfully buys, sells, offers for sale, or gives away, any such washed or restored stamp to any person for use, or knowingly uses the same;

(d) Knowingly and without lawful excuse (the burden of proof of such excuse being on the accused) has in possession any washed, restored, or altered stamp, which has been removed from any vellum, parchment, paper, instrument, writing, package, or article,

Is guilty of a misdemeanor, and upon conviction shall be punished by a fine of not more than $1,000, or by imprisonment for not more than five years, or both, in the discretion of the court, and any such reused, canceled, or counterfeit stamp and the vellum, parchment, document, paper, package, or article upon which it is placed or impressed shall be forfeited to the United States.

Cancellation

SEC. 804. That whenever an adhesive stamp is used for denoting any tax imposed by this title, except as hereinafter provided, the person, corporation, partnership, or association using or affixing the same shall write or stamp or cause to be written or stamped thereupon the initials of

his or its name and the date upon which the same is attached or used, so that the same may not again be used: *Provided*, That the Commissioner of Internal Revenue may prescribe such other method for the cancellation of such stamps as he may deem expedient.

Stamps

SEC. 805. (a) That the Commissioner of Internal Revenue shall cause to be prepared and distributed for the payment of the taxes prescribed in this title suitable stamps denoting the tax on the document, article, or thing to which the same may be affixed, and shall prescribe such method for the affixing of said stamps in substitution for or in addition to the method provided in this title, as he may deem expedient.

(b) The Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, is authorised to procure any of the stamps provided for in this title by contract whenever such stamps can not be speedily prepared by the Bureau of Engraving and Printing; but this authority shall expire on the first day of January, nineteen hundred and eighteen, except as to imprinted stamps furnished under contract, authorized by the Commissioner of Internal Revenue.

(c) All internal-revenue laws relating to the assessment and collection of taxes are hereby extended to and made a part of this title, so far as applicable, for the purpose of collecting stamp taxes omitted through mistake or fraud from any instrument, document, paper, writing, parcel, package, or article named herein.

SEC. 806. That the Commissioner of Internal Revenue shall furnish to the Postmaster General without prepayment a suitable quantity of adhesive stamps to be distributed to and kept on sale by the various postmasters in the United States. The Postmaster General may require each such postmaster to give additional or increased bond as postmaster for the value of the stamps so furnished, and each such postmaster shall deposit the receipts from the sale of such stamps to the credit of and render accounts to the Postmaster General at such times and in such form as he may by regulations prescribe. The Postmaster General shall at least once monthly transfer all collections from this source to the Treasury as internal-revenue (collections.)

SEC. 807. That the collectors of the several districts shall furnish without prepayment to any assistant treasurer or designated depository of the United States located in

their respective collection districts a suitable quantity of adhesive stamps for sale. In such cases the collector may require a bond, with sufficient sureties, to an amount equal to the value of the adhesive stamps so furnished, conditioned for the faithful return, whenever so required, of all quantities or amounts undisposed of, and for the payment monthly of all quantities or amounts sold or not remaining on hand. The Secretary of the Treasury may from time to time make such regulations as he may find necessary to insure the safe-keeping or prevent the illegal use of all such adhesive stamps.

SCHEDULE A.—STAMP TAXES

Bonds of Indebtedness

1. Bonds of indebtedness: Bonds, debentures, or certificates of indebtedness issued on and after the first day of December, nineteen hundred and seventeen, by any person, corporation, partnership, or association, on each $100 of face value or fraction thereof, 5 cents: *Provided*, That every renewal of the foregoing shall be taxed as a new issue: *Provided further*, That when a bond conditioned for the repayment or payment of money is given in a penal sum greater than the debt secured, the tax shall be based upon the amount secured.

Indemnity and Surety Bonds

2. Bonds, indemnity and surety: Bonds for indemnifying any person, corporation, partnership, or corporation, who shall have become bound or engaged as surety, and all bonds for the due execution or performance of any contract, obligation, or requirement, or the duties of any office or position, and to account for money received by virtue thereof, and all other bonds of any description, except such as may be required in legal proceedings, not otherwise provided for in this schedule, 50 cents: *Provided*, That where a premium is charged for the execution of such bond the tax shall be paid at the rate of one per centum on each dollar or fractional part thereof of the premium charged: *Provided further*, That policies of reinsurance shall be exempt from the tax imposed by this subdivision.

Capital Stock Issue

3. Capital stock, issue: On each original issue, whether on organization or reorganization, of certificates of stock by any association, company, or corporation, on each $100 of face value or fraction thereof, 5 cents: *Provided*, That where capital stock is issued without face value, the tax shall be 5 cents per share, unless the actual value is

in excess of $100 per share, in which case the tax shall be 5 cents on each $100 of actual value or fraction thereof.

The stamps representing the tax imposed by this subdivision shall be attached to the stock books and not to the certificates issued.

Capital Stock Sales

4. Capital stock, sales or transfers: On all sales, or agreements to sell, or memoranda of sales or deliveries of, or transfers of legal title to shares or certificates of stock in any association, company, or corporation, whether made upon or shown by the books of the association, company, or corporation, or by any assignment in blank, or by any delivery, or by any paper or agreement or memorandum or other evidence of transfer or sale, whether entitling the holder in any manner to the benefit of such stock or not, on each $100 of face value or fraction thereof, 2 cents, and where such shares of stock are without par value, the tax shall be 2 cents on the transfer or sale or agreement to sell on each share, unless the actual value thereof is in excess of $100 per share, in which case the tax shall be 2 cents on each $100 of actual value or fraction thereof: *Provided*, That it is not intended by this title to impose a tax upon an agreement evidencing a deposit of stock certificates as collateral security for money loaned thereon, which stock certificates are not actually sold, nor upon such stock certificates so deposited: *Provided further*, That the tax shall not be imposed upon deliveries or transfers to a broker for sale, nor upon deliveries or transfers by a broker to a customer for whom and upon whose order he has purchased same, but such deliveries or transfers shall be accompanied by a certificate setting forth the facts: *Provided further*, That in case of sale where the evidence of transfer is shown only by the books of the company the stamp shall be placed upon such books; and where the change of ownership is by transfer of the certificate the stamp shall be placed upon the certificate; and in cases of an agreement to sell or where the transfer is by delivery of the certificate assigned in blank there shall be made and delivered by the seller to the buyer a bill or memorandum of such sale, to which the stamp shall be affixed; and every bill or memorandum of sale or agreement to sell before mentioned shall show the date thereof, the name of the seller, the amount of the sale, and the matter or thing to which it refers. Any person or persons liable to pay the tax as herein provided, or anyone who acts in the matter as agent or broker for such person or persons who shall make

any such sale, or who shall in pursuance of any such sale deliver any stock or evidence of the sale of any stock or bill or memorandum thereof, as herein required, without having the proper stamps affixed thereto with intent to evade the foregoing provisions shall be deemed guilty of a misdemeanor, and upon conviction thereof shall pay a fine of not exceeding $1,000, or be imprisoned not more than six months, or both, at the discretion of the court.

Sales of Produce

5. Produce, sales of, on exchange: Upon each sale, agreement of sale, or agreement to sell, including so-called transferred or scratch sales, any products or merchandise at any exchange, or board of trade, or other similar place, for future delivery, for each $100 in value of the merchandise covered by said sale or agreement of sale or agreement to sell, 2 cents, and for each additional $100 or fractional part thereof in excess of $100, 2 cents: *Provided*, That on every sale or agreement of sale or agreement to sell as aforesaid there shall be made and delivered by the seller to the buyer a bill, memorandum, agreement, or other evidence of such sale, agreement of sale, or agreement to sell, to which there shall be affixed a lawful stamp or stamps in value equal to the amount of the tax on such sale: *Provided further*, That sellers of commodities described herein, having paid the tax provided by this subdivision, may transfer such contracts to a clearing house corporation or association, and such transfer shall not be deemed to be a sale, or agreement of sale, or an agreement to sell within the provisions of this Act, provided that such transfer shall not vest any beneficial interest in such clearing house association but shall be made for the sole purpose of enabling such clearing house association to adjust and balance the accounts of the members of said clearing house association on their several contracts. And every such bill, memorandum, or other evidence of sale or agreement to sell shall show the date thereof, the name of the seller, the amount of the sale, and the matter or thing to which it refers; and any person or persons liable to pay the tax as herein provided, or anyone who acts in the matter as agent or broker for such person or persons, who shall make any such sale or agreement of sale, or agreement to sell, or who shall, in pursuance of any such sale, agreement of sale, or agreement to sell, deliver any such products or merchandise without a bill, memorandum, or other evidence thereof as herein required, or who shall deliver such bill, memorandum, or other evidence of

sale, or agreement to sell, without having the proper stamps affixed thereto, with intent to evade the foregoing provisions, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall pay a fine of not exceeding $1,000, or be imprisoned not more than six months, or both, at the discretion of the court.

That no bill, memorandum, agreement, or other evidence of such sale, or agreement of sale, or agreement to sell, in case of cash sales of products or merchandise for immediate or prompt delivery which in good faith are actually intended to be delivered shall be subject to this tax.

Drafts and Checks

6. Drafts or checks payable otherwise than at sight or on demand, promissory notes, except bank notes issued for circulation, (and for each renewal of the same), for a sum not exceeding $100, 2 cents; and for each additional $100 or fractional part thereof, 2 cents.

Conveyances

7. Conveyance: Deed, instrument, or writing, whereby any lands, tenements, or other realty sold shall be granted, assigned, transferred, or otherwise conveyed to, or vested in, the purchaser or purchasers, or any other person or persons, by his, her, or their direction, when the consideration or value of the interest or property conveyed, exclusive of the value of any lien or encumbrance remaining thereon at the time of sale, exceeds $100 and does not exceed $500, 50 cents; and for each additional $500 or fractional part thereof 50 cents: *Provided*, That nothing contained in this paragraph shall be so construed as to impose a tax upon any instrument or writing given to secure a debt.

Entries

8. Entry of any goods, wares, or merchandise at any custom-house, either for consumption or warehousing, not exceeding $100 in value, 25 cents; exceeding $100 and not exceeding $500 in value, 50 cents; exceeding $500 in value, $1.

9. Entry for the withdrawal of any goods or merchandise from customs bonded warehouse, 50 cents.

Passage Tickets

10. Passage ticket, one way or round trip, for each passenger, sold or issued in the United States for passage by any vessel to a port or place not in the United States, Canada, or Mexico, if costing not exceeding $30, $1; costing more than $30 and not exceeding $60, $3; costing more than $60, $5: *Provided*, That such passage tickets, costing $10 or less, shall be exempt from taxation.

11. Proxy for voting at any election for officers, or meeting for the transaction of business, of any incorporated company or association, except religious, educational, charitable, fraternal, or literary societies, or public cemeteries, 10 cents. Proxies

12. Power of attorney granting authority to do or perform some act for or in behalf of the grantor, which authority is not otherwise vested in the grantee, 25 cents: *Provided*, That no stamps shall be required upon any papers necessary to be used for the collection of claims from the United States or from any State for pensions, back pay, bounty, or for property lost in the military or naval service or upon powers of attorney required in bankruptcy cases. Powers of Attorney

13. Playing cards: Upon every pack of playing cards containing not more than fifty-four cards, manufactured or imported, and sold, or removed for consumption or sale, after the passage of this Act, a tax of 5 cents per pack in addition to the tax imposed under existing law. Playing Cards

14. Parcel-post packages: Upon every parcel or package transported from one point in the United States to another by parcel post on which the postage amounts to 25 cents or more, a tax of 1 cent for each 25 cents or fractional part thereof charged for such transportation, to be paid by the consignor. Parcel Post

No such parcel or package shall be transported until a stamp or stamps representing the tax due shall have been affixed thereto.

Title IX—War Estate Tax

SEC. 900. That in addition to the tax imposed by section two hundred and one of the Act entitled "An Act to increase the revenue, and for other purposes," approved September eighth, nineteen hundred and sixteen, as amended—

(a) A tax equal to the following percentages of its value is hereby imposed upon the transfer of each net estate of every decedent dying after the passage of this Act, the transfer of which is taxable under such section (the value of such net estate to be determined as provided in Title II of such Act of September eighth, nineteen hundred and sixteen): Rates of Tax

One-half of one per centum of the amount of such net estate not in excess of $50,000.

One per centum of the amount by which such net estate exceeds $50,000 and does not exceed $150,000.

One and one-half per centum of the amount by which such net estate exceeds $150,000 and does not exceed $250,000.

Two per centum of the amount by which such net estate exceeds $250,000 and does not exceed $450,000.

Two and one-half per centum of the amount by which such net estate exceeds $450,000 and does not exceed $1,000,000.

Three per centum of the amount by which such net estate exceeds $1,000,000 and does not exceed $2,000,000.

Three and one-half per centum of the amount by which such net estate exceeds $2,000,000 and does exceed $3,000,000.

Four per centum of the amount by which such net estate exceeds $3,000,000 and does not exceed $4,000,000.

Four and one-half per centum of the amount by which such net estate exceeds $4,000,000 and does not exceed $5,000,000.

Five per centum of the amount by which such net estate exceeds $5,000,000 and does not exceed $8,000,000.

Seven per centum of the amount by which such net estate exceeds $8,000,000 and does not exceed $10,000,000; and

Ten per centum of the amount by which such net estate exceeds $10,000,000.

Exemptions

SEC. 901. That the tax imposed by this title shall not apply to the transfer of the net estate of any decedent dying while serving in the military or naval forces of the United States, during the continuance of the war in which the United States is now engaged, or if death results from injuries received or disease contracted in such service, within one year after the termination of such war. For the purposes of this section the termination of the war shall be evidenced by the proclamation of the President.

Title X—Administrative Provisions

West Indian Islands

SEC. 1000. That there shall be levied, collected, and paid in the United States, upon articles coming into the United States from the West Indian Islands acquired from Denmark, a tax equal to the internal-revenue tax imposed in

the United States upon like articles of domestic manufacture; such articles shipped from said islands to the United States shall be exempt from the payment of any tax imposed by the internal-revenue laws of said islands: *Provided*, That there shall be levied, collected, and paid in said islands, upon articles imported from the United States, a tax equal to the internal-revenue tax imposed in said islands upon like articles there manufactured; and such articles going into said islands from the United States shall be exempt from payment of any tax imposed by the internal-revenue laws of the United States.

Administrative Provisions of Law Applicable

SEC. 1001. That all administrative, special, or stamp provisions of law, including the law relating to the assessment of taxes, so far as applicable, are hereby extended to and made a part of this Act, and every person, corporation, partnership, or association liable to any tax imposed by this Act, or for the collection thereof, shall keep such records and render, under oath, such statements and returns, and shall comply with such regulations as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may from time to time prescribe.

Payment of Additional Taxes

SEC. 1002. That where additional taxes are imposed by this Act upon articles or commodities, upon which the tax imposed by existing law has been paid, the person, corporation, partnership, or association required by this Act to pay the tax shall, within thirty days after its passage, make return under oath in such form and under such regulations as the Commissioner of Internal Revenue with the approval of the Secretary of the Treasury shall prescribe. Payment of the tax shown to be due may be extended to a date not exceeding seven months from the passage of this Act, upon the filing of a bond for payment in such form and amount and with such sureties as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may prescribe.

Collection of Taxes

SEC. 1003. That in all cases where the method of collecting the tax imposed by this Act is not specifically provided, the tax shall be collected in such manner as the Commissioner of Internal Revenue with the approval of the Secretary of the Treasury may prescribe. All administrative and penalty provisions of Title VIII of this Act, in so far as applicable, shall apply to the collection of any tax which the Commissioner of Internal Revenue determines or prescribes shall be paid by stamp.

Penalty for Failure to Make Return

SEC. 1004. That whoever fails to make any return required by this Act or the regulations made under authority thereof within the time prescribed or who makes any false or fraudulent return, and whoever evades or attempts to evade any tax imposed by this Act or fails to collect or truly to account for and pay over any such tax, shall be subject to a penalty of not more than $1,000, or to imprisonment for not more than one year, or both, at the discretion of the court, and in addition thereto a penalty of double the tax evaded, or not collected, or accounted for and paid over, to be assessed and collected in the same manner as taxes are assessed and collected, in any case in which the punishment is not otherwise specifically provided.

Regulations

SEC. 1005. That the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, is hereby authorized to make all needful rules and regulations for the enforcement of the provisions of this Act.

Use of Stamps on Hand

SEC. 1006. That where the rate of tax imposed by this Act, payable by stamps, is an increase over previously existing rates, stamps on hand in the collectors' offices and in the Bureau of Internal Revenue may continue to be used until the supply on hand is exhausted, but shall be sold and accounted for at the rates provided by this Act, and assessment shall be made against manufacturers and other taxpayers having such stamps on hand on the day this Act takes effect for the difference between the amount paid for such stamps and the tax due at the rates provided by this Act.

Contracts Made Prior to May 9, 1917

SEC. 1007. That (a) if any person, corporation, partnership, or association has prior to May ninth, nineteen hundred and seventeen, made a bona fide contract with a dealer for the sale, after the tax takes effect, of any article (or, in the case of moving-picture films, such a contract with a dealer, exchange, or exhibitor, for the sale or lease thereof) upon which a tax is imposed under Title III, IV, or VI, or under subdivision thirteen of Schedule A of Title VIII, or under this section, and (b) if such contract does not permit the adding of the whole of such tax to the amount to be paid under such contract, then the vendee or lessee shall, in lieu of the vendor, or lessor, pay so much of such tax as is not so permitted to be added to the contract price.

The taxes payable by the vendee or lessee under this section shall be paid to the vendor or lessor at the time

the sale or lease is consummated, and collected, returned, and paid to the United States by such vendor or lessor in the same manner as provided in section five hundred and three.

The term "dealer" as used in this section includes a vendee who purchases any article with intent to use it in the manufacture or production of another article intended for sale. **Dealer Defined**

SEC. 1008. That in the payment of any tax under this Act not payable by stamp a fractional part of a cent shall be disregarded unless it amounts to one-half cent or more, in which case it shall be increased to one cent. **Fraction of Cent**

SEC. 1009. That the Secretary of the Treasury, under rules and regulations prescribed by him, shall permit taxpayers liable to income and excess profits taxes to make payments in advance in installments or in whole of an amount not in excess of the estimated taxes which will be due from them, and upon determination of the taxes actually due any amount paid in excess shall be refunded as taxes erroneously collected: *Provided*, That when payment is made in installments at least one-fourth of such estimated tax shall be paid before the expiration of thirty days after the close of the taxable year, at least an additional one-fourth within two months after the close of the taxable year, at least an additional one-fourth within four months after the close of the taxable year, and the remainder of the tax due on or before the time now fixed by law for such payment: *Provided further*, that the Secretary of the Treasury, under rules and regulations prescribed by him, may allow credit against such taxes so paid in advance of an amount not exceeding three per centum per annum, calculated upon the amount so paid from the date of such payment to the date now fixed by law for such payment; but no such credit shall be allowed on payments in excess of taxes determined to be due, nor on payments made after the expiration of four and one-half months after the close of the taxable year. All penalties provided by existing law for failure to pay tax when due are hereby made applicable to any failure to pay the tax at the time or times required in this section. **Payment in Installments**

SEC. 1010. That under rules and regulations prescribed by the Secretary of the Treasury, collectors of internal revenue may receive, at par and accrued interest, certificates of indebtedness issued under section six of the Act entitled "An Act to authorize an issue of bonds to meet ex-

Certificates of Indebtedness and Uncertified Checks Received in Payment of Taxes

penditures for the national security and defense, and, for the purpose of assisting in the prosecution of the war, to extend credit to foreign governments, and for other purposes," approved April twenty-fourth, nineteen hundred and seventeen, and any subsequent Act or Acts, and uncertified checks in payment of income and excess profits taxes, during such time and under such regulations as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall prescribe; but if a check so received is not paid by the bank on which it is drawn the person by whom such check has been tendered shall remain liable for the payment of the tax and for all legal penalties and additions the same as if such check had not been tendered.

Title XI—Postal Rates

First Class

SEC. 1100. That the rate of postage on all mail matter of the first class, except postal cards, shall, thirty days after the passage of this Act be, in addition to the existing rate, 1 cent for each ounce or fraction thereof: *Provided*, That the rate of postage on drop letters of the first class shall be 2 cents an ounce or fraction thereof. Postal cards, and private mailing or post cards when complying with the requirements of existing law, shall be transmitted through the mails at 1 cent each in addition to the existing rate.

Soldiers' Mail Free

That letters written and mailed by soldiers, sailors, and marines assigned to duty in a foreign country engaged in the present war may be mailed free of postage, subject to such rules and regulations as may be prescribed by the Postmaster General.

Second Class Rates

SEC. 1101. That on and after July first nineteen hundred and eighteen, the rates of postage on publications entered as second-class matter (including sample copies to the extent of ten per centum of the weight of copies mailed to subscribers during the calendar year) when sent by the publisher thereof from the post office of publication or other post office, or when sent by a news agent to actual subscribers thereto, or to other news agents for the purpose of sale:

(a) In the case of the portion of such publication devoted to matter other than advertisements, shall be as follows: (1) on and after July first, nineteen hundred and

eighteen, and until July first, nineteen hundred and nineteen, 1¼ cents per pound or fraction thereof; (2) on and after July first, nineteen hundred and nineteen, 1½ cents per pound or fraction thereof;

(b) In the case of the portion of such publication devoted to advertisements the rates per pound or fraction thereof for delivery within the several zones applicable to fourth-class matter shall be as follows (but where the space devoted to advertisements does not exceed five per centum of the total space, the rate of postage shall be the same as if the whole of such publication was devoted to matter other than advertisements): (1) on and after July first, nineteen hundred and eighteen, and until July first, nineteen hundred and nineteen, for the first and second zones, 1¼ cents; for the third zone, 1½ cents; for the fourth zone, 2 cents; for the fifth zone, 2¼ cents; for the sixth zone, 2½ cents; for the seventh zone, 3 cents; for the eighth zone, 3¼ cents; (2) on and after July first, nineteen hundred and nineteen, and until July first, nineteen hundred and twenty, for the first and second zones, 1½ cents; for the third zone, 2 cents; for the fourth zone, 3 cents; for the fifth zone, 3½ cents; for the sixth zone, 4 cents; for the seventh zone, 5 cents; for the eighth zone, 5½ cents; (3) on and after July first, nineteen hundred and twenty and until July first, nineteen hundred and twenty-one, for the first and second zones, 1¾ cents; for the third zone, 2½ cents; for the fourth zone, 4 cents; for the fifth zone, 4¾ cents; for the sixth zone, 5½ cents; for the seventh zone, 7 cents; for the eighth zone, 7¾ cents; (4) on and after July first, nineteen hundred and twenty-one, for the first and second zones, 2 cents; for the third zone, 3 cents; for the fourth zone, 5 cents; for the fifth zone, 6 cents; for the sixth zone, 7 cents; for the seventh zone, 9 cents; for the eighth zone, 10 cents.

(c) With the first mailing of each issue of each such publication, the publisher shall file with the postmaster a copy of such issue, together with a statement containing such information as the Postmaster General may prescribe for determining the postage chargeable thereon.

SEC. 1102. That the rate of postage on daily newspapers, when the same are deposited in a letter carrier office for delivery by its carriers, shall be the same as now provided by law; and nothing in this title shall affect existing law as to free circulation and existing rates on

second-class mail matter within the county of publication: *Provided*, That the Postmaster General may hereafter require publishers to separate or make up to zones in such a manner as he may direct all mail matter of the second class when offered for mailing.

Religious and Educational Papers

SEC. 1103. That in the case of newspapers and periodicals entitled to be entered as second-class matter and maintained by and in the interest of religious, educational, scientific, philanthropic, agricultural, labor, or fraternal organizations or associations, not organized for profit and none of the net income of which inures to the benefit of any private stockholder or individual, the second-class postage rates shall be, irrespective of the zone in which delivered (except when the same are deposited in a letter-carrier office for delivery by its carriers, in which case the rates shall be the same as now provided by law), 1⅛ cents a pound or fraction thereof on and after July first, nineteen hundred and eighteen, and until July first, nineteen hundred and nineteen, and on and after July first, nineteen hundred and nineteen, 1¼ cents a pound or fraction thereof. The publishers of such newspapers or periodicals before being entitled to the foregoing rates shall furnish to the Postmaster General, at such times and under such conditions as he may prescribe, satisfactory evidence that none of the net income of such organization inures to the benefit of any private stockholder or individual.

SEC. 1104. That where the total weight of any one edition or issue of any publication mailed to any one zone does not exceed one pound, the rate of postage shall be 1 cent.

SEC. 1105. The zone rates provided by this title shall relate to the entire bulk mailed to any one zone and not to individually addressed packages.

SEC. 1106. That where a newspaper or periodical is mailed by other than the publisher or his agent or a news agent or dealer, the rate shall be the same as now provided by law.

SEC. 1107. That the Postmaster General, on or before the tenth day of each month, shall pay into the general fund of the Treasury an amount equal to the difference between the estimated amount received during the preceding month for the transportation of first class matter through the mails and the estimated amount which would have been received under the provisions of the law in force at the time of the passage of this Act.

Salaries of Postmasters

SEC. 1108. That the salaries of postmasters at offices of the first, second, and third classes shall not be increased after July first, nineteen hundred and seventeen, during the existence of the present war. The compensation of postmasters at offices of the fourth class shall continue to be computed on the basis of the present rates of postage.

Allowances to Third Class Post Offices

SEC. 1109. That where postmasters at offices of the third class have been since May first, nineteen hundred and seventeen, or hereafter are granted leave without pay for military purposes, the Postmaster General may allow, in addition to the maximum amounts which may now be allowed such offices for clerk hire, in accordance with law, an amount not to exceed fifty per centum of the salary of the postmaster.

Ethyl Alcohol

SEC. 1110. That section five of the Act approved March third, nineteen hundred and seventeen, entitled "An Act making appropriations for the Post Office Department for the year ending June thirtieth, nineteen hundred and eighteen," shall not be construed to apply to ethyl alcohol for governmental, scientific, medicinal mechanical, manufacturing, and industrial purposes, and the Postmaster General shall prescribe suitable rules and regulations to carry into effect this section in connection with the Act of which it is amendatory, nor shall said section be held to prohibit the use of the mails by regularly ordained ministers of religion; or by officers of regularly established churches, for ordering wines for sacramental uses, or by manufacturers and dealers for quoting and billing such wines for such purposes only.

Title XII—Income Tax Amendments

SEC. 1200. That subdivision (a) of section two of such Act of September eighth, nineteen hundred and sixteen, is hereby amended to read as follows:

Net Income

"(a) That, subject only to such exemptions and deductions as are hereinafter allowed, the net income of a taxable person shall include gains, profits, and income, derived from salaries, wages, or compensation for personal service of whatever kind and in whatever form paid, or from professions, vocations, businesses, trade, commerce, or sales, or dealings in property, whether real or personal,

growing out of the ownership or use of or interest in real or personal property, also from interest, rent, dividends, securities, or the transaction of any business carried on for gain or profit, or gains or profits and income derived from any source whatever.

Section four of such Act of September eighth, nineteen hundred and sixteen, is hereby amended to read as follows:

"SEC. 4. The following income shall be exempt from the provisions of this title:

"The proceeds of life insurance policies paid to individual beneficiaries upon the death of the insured; the amount received by the insured, as a return of premium or premiums paid by him under life insurance, endowment, or annuity contracts, either during the term or at the maturity of the term mentioned in the contract or upon surrender of the contract; the value of property acquired by gift, bequest, devise, or descent (but the income from such property shall be included as income); interest upon the obligations of a State or any political subdivision thereof or upon the obligations of the United States (but, in the case of obligations of the United States issued after September first, nineteen hundred and seventeen, only if and to the extent provided in the Act authorizing the issue thereof) or its possessions or securities issued under the provisions of the Federal Farm Loan Act of July seventeenth, nineteen hundred and sixteen; the compensation of the present President of the United States during the term for which he has been elected and the judges of the supreme and inferior courts of the United States now in office, and the compensation of all officers and employees of a State, or any political subdivision thereof, except when such compensation is paid by the United States Government."

Interest on Government Bonds

SEC. 1201. (1) That paragraphs second and third of subdivision (a) of section five of such Act of September eighth, nineteen hundred and sixteen, are hereby amended to read as follows:

Interest

"Second. All interest paid within the year on his indebtedness except on indebtedness incurred for the purchase of obligations or securities the interest upon which is exempt from taxation as income under this title;

Taxes

"Third. Taxes paid within the year imposed by the authority of the United States (except income and excess profits taxes) or of its Territories, or possessions, or any

foreign country, or by the authority of any State, county, school district, or municipality, or other taxing subdivision of any State, not including those assessed against local benefits;"

(2) Section five of such Act of September eighth, nineteen hundred and sixteen, is hereby amended by adding at the end of subdivision (a) a further paragraph numbered nine to read as follows:

"Ninth. Contributions or gifts actually made within the year to corporations or associations organized and operated exclusively for religious, charitable, scientific, or educational purposes, or to societies for the prevention of cruelty to children or animals, no part of the net income of which inures to the benefit of any private stockholder or individual, to an amount not in excess of fifteen per centum of the taxpayer's taxable net income as computed without the benefit of this paragraph. Such contributions or gifts shall be allowable as deductions only if verified under rules and regulations prescribed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury." **Contributions and Gifts**

SEC. 1202. That (1) paragraphs second and third of subdivision (a) of section six of such Act of September eighth, nineteen hundred and sixteen, are hereby amended to read as follows: **Non-resident Aliens**

"Second. The proposition of all interest paid within the year by such person on his indebtedness (except on indebtedness incurred for the purchase of obligations or securities the interest upon which is exempt from taxation as income under this title) which the gross amount of his income for the year derived from sources within the United States bears to the gross amount of his income for the year derived from all sources within and without the United States, but this deduction shall be allowed only if such person includes in the return required by section eight all the information necessary for its calculation; **Interest**

"Third. Taxes paid within the year imposed by the authority of the United States (except income and excess profits taxes), or of its Territories, or possessions, or by the authority of any State, county, school district, or municipality, or other taxing subdivision of any State, paid within the United States, not including those assessed against local benefits;" **Taxes**

Deductions and Credits of Non-Resident Aliens Dependent Upon Return

(2) Section six of such Act of September eighth, nineteen hundred and sixteen, is also further amended by adding a new subdivision to read as follows:

"(c) A nonresident alien individual shall receive the benefit of the deductions and credits provided for in this section only by filing or causing to be filed with the collector of internal revenue a true and accurate return of his total income, received from all sources, corporate or otherwise, in the United States, in the manner prescribed by this title; and in case of his failure to file such return the collector shall collect the tax on such income, and all property belonging to such nonresident alien individual shall be liable to distraint for the tax."

SEC. 1203. (1) That section seven of such Act of September eighth, nineteen hundred and sixteen, is hereby amended to read as follows:

Specific Exemptions

"SEC. 7. That for the purpose of the normal tax only, there shall be allowed as a exemption in the nature of a deduction from the amount of the net income of each citizen or resident of the United States, ascertained as provided herein, the sum of $3,000, plus $1,000 additional if the person making the return be a head of a family or a married man with a wife living with him, or plus the sum of $1,000 additional if the person making the return be a married woman with a husband living with her: but in no event shall this additional exemption of $1,000 be deducted by both a husband and a wife: *Provided*, That only one deduction of $4,000 shall be made from the aggregate income of both husband and wife when living together: *Provided further*, That if the person making the return is the head of a family there shall be an additional exemption of $200 for each child dependent upon such person, if under eighteen years of age, or if incapable of self-support because mentally or physically defective, but this provision shall operate only in the case of one parent in the same family: *Provided further*, That guardians or trustees shall be allowed to make this personal exemption as to income derived from the property of which such guardian or trustee has charge in favor of each ward or *cestui que trust*: *Provided further*, That in no event shall a ward or *cestui que trust* be allowed a greater personal exemption than is provided in this section from the amount of net income received from all sources. There shall also be allowed an exemption from the amount of the net income of

estates of deceased citizens or residents of the United States during the period of administration or settlement, and of trust or other estates of citizens or residents of the United States the income of which is not distributed annually or regularly under the provisions of subdivision (b) of section two, the sum of $3,000, including such deductions as are alllowed under section five."

(2) Subdivision (b) of section seven of such Act of September eighth, nineteen hundred and sixteen, is hereby repealed.

SEC. 1204. (1) That subdivisions (c) and (e) of section eight of such Act of September eighth, nineteen hundred and sixteen are hereby amended to read as follows:

Fiduciaries

"(c) Guardians, trustees, executors, administrators, receivers, conservators, and all persons, corporations, or associations, acting in any fiduciary capacity, shall make and render a return of the income of the person, trust, or estate for whom or which they act, and be subject to all the provisions of this title which apply to individuals. Such fiduciary shall make oath that he has sufficient knowledge of the affairs of such person, trust, or estate to enable him to make such return and that the same is, to the best of his knowledge and belief, true and correct, and be subject to all the provisions of this title which apply to individuals: *Provided*, That a return made by one of two or more joint fiduciaries filed in the district where such fiduciary resides, under such regulations as the Secretary of the Treasury may prescribe, shall be a sufficient compliance with the requirements of this paragraph: *Provided further*, That no return of income not exceeding $3,000 shall be required except as in this title otherwise provided.

Partnerships

"(e) Persons carrying on business in partnership shall be liable for income tax only in their individual capacity, and the share of the profits of the partnership to which any taxable partner would be entitled if the same were divided, whether divided or otherwise, shall be returned for taxation and the tax paid under the provisions of this title: *Provided*, That from the net distributive interests on which the individual members shall be liable for tax, normal and additional, there shall be excluded their proportionate shares received from interest on the obligations of a State or any political or taxing subdivision thereof, and upon the obligations of the United States (if and to the extent that it is provided in the Act authorizing the issue of such

obligations of the United States that they are exempt from taxation) and its possessions, and that for the purpose of computing the normal tax there shall be allowed a credit, as provided by section five, subdivision (b), for their proportionate share of the profits derived from dividends. Such partnership, when requested by the Commissioner of Internal Revenue or any district collector, shall render a correct return of the earnings, profits, and income of the partnership, except income exempt under section four of this Act, setting forth the item of the gross income and the deductions and credits allowed by this title, and the names and addresses of the individuals who would be entitled to the net earnings, profits, and income, if distributed. A partnership shall have the same privilege of fixing and making returns upon the basis of its own fiscal year as is accorded to corporations under this title. If a fiscal year ends during nineteen hundred and sixteen or a subsequent calendar year for which there is a rate of tax different from the rate for the preceding calendar year, then (1) the rate for such preceding calendar year shall apply to an amount of each partner's share of such partnership profits equal to the proportion which the part of such fiscal year falling within such calendar year bears to the full fiscal year, and (2) the rate for the calendar year during which such fiscal year ends shall apply to the remainder.

(2) Subdivision (d) of section eight of such Act of September eighth, nineteen hundred and sixteen, is hereby repealed.

SEC. 1205. (1) That subdivisions (b), (c), (f), and (g) of section nine of such Act of September eighth, nineteen hundred and sixteen are hereby amended to read as follows:

Deduction at Source Non-Resident Alien

"(b) All persons, corporations, partnerships, associations, and insurance companies, in whatever capacity acting, including lessees or mortgagors of real or personal property, trustees acting in any trust capacity, executors, administrators, receivers, conservators, employers, and all officers and employees of the United States, having the control, receipt, custody, disposal, or payment of interest, rent, salaries, wages, premiums, annuities, compensation, remuneration, emoluments, or other fixed or determinable annual or periodical gains, profits, and income of any nonresident alien individual, other than income

derived from dividends on capital stock, or from the net earnings of a corporation, joint-stock company or association, or insurance company, which is taxable upon its net income as provided in this title, are hereby authorized and required to deduct and withhold from such annual or periodical gains, profits, and income such sum as will be sufficient to pay the normal tax imposed thereon by this title, and shall make return thereof on or before March first of each year and, on or before the time fixed by law for the payment of the tax, shall pay the amount withheld to the officer of the United States Government authorized to receive the same; and they are each hereby made personally liable for such tax, and they are each hereby indemnified against every person, corporation, partnership, association, or insurance company, or demand whatsoever for all payments which they shall make in pursuance and by virtue of this title.

Tax Free Bonds

"(c) The amount of the normal tax hereinbefore imposed shall also be deducted and withheld from fixed or determinable annual or periodical gains, profits, and income derived from interest upon bonds and mortgages, or deeds of trust or other similar obligations of corporations, joint-stock companies, associations, and insurance companies (if such bonds, mortgages, or other obligations contain a contract or provision by which the obligor agrees to pay any portion of the tax imposed by this title upon the obligee or to reimburse the obligee for any portion of the tax or to pay the interest without deduction for any tax which the obligor may be required or permitted to pay thereon or to retain therefrom under any law of the United States), whether payable annually or at shorter or longer periods and whether such interest is payable to a nonresident alien individual or to an individual citizen or resident of the United States, subject to the provisions of the foregoing subdivision (b) of this section requiring the tax to be withheld at the source and deducted from annual income and returned and paid to the Government, unless the person entitled to receive such interest shall file with the withholding agent, on or before February first, a signed notice in writing claiming the benefit of an exemption under section seven of this title.

Collection of Foreign Items

"(f) All persons, corporations, partnerships, or associations, undertaking as a matter of business or for profit the collection of foreign payments of interest or dividends

by means of coupons, checks, or bills of exchange shall obtain a license from the Commissioner of Internal Revenue, and shall be subject to such regulations enabling the Government to obtain the information required under this title, as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, shall prescribe; and whoever knowingly undertakes to collect such payments as aforesaid without having obtained a license therefor, or without complying with such regulations, shall be deemed guilty of a misdemeanor and for each offense be fined in a sum not exceeding $5.000, or imprisoned for a term not exceeding one year, or both, in the discretion of the court.

Tax Assessed by Personal Return

"(g) The tax herein imposed upon gains, profits, and incomes not falling under the foregoing and not returned and paid by virtue of the foregoing or as otherwise provided by law shall be assessed by personal return under rules and regulations to be prescribed by the Commissioner of Internal Revenue and approved by the Secretary of the Treasury. The intent and purpose of this title is that all gains, profits, and income of a taxable class, as defined by this title, shall be charged and assessed with the corresponding tax, normal and additional, prescribed by this title, and said tax shall be paid by the owner of such income, or the proper representative having the receipt, custody, control, or disposal of the same. For the purpose of this title ownership or liability shall be determined as of the year for which a return is required to be rendered.

"The provisions of this section, except subdivision (c), relating to the deduction and payment of the tax at the source of income shall only apply to the normal tax hereinbefore imposed upon non-resident alien individuals."

(2) Subdivisions (d) and (e) of section nine of such Act of September eighth, nineteen hundred and sixteen, are hereby repealed.

SEC. 1206. (1) That the first paragraph of section ten of such Act of September eighth, nineteen hundred and sixteen, is hereby amended to read as follows:

Corporation Tax on Net Income

"SEC. 10. (a) That there shall be levied, assessed, collected, and paid annually upon the total net income received in the preceding calendar year from all sources by every corporation, joint-stock company or association, or insurance company, organized in the United States, no

matter how created or organized, but not including partnerships, a tax of two per centum upon such income; and a like tax shall be levied, assessed, collected, and paid annually upon the total net income received in the preceding calendar year from all sources within the United States by every corporation, joint-stock company or association, or insurance company, organized, authorized, or existing under the laws of any foreign country, including interest on bonds, notes, or other interest-bearing obligations of residents, corporate or otherwise, and including the income derived from dividends on capital stock or from net earnings of resident corporations, joint-stock companies or associations, or insurance companies, whose net income is taxable under this title.

(2) Section ten of such Act of September eighth, nineteen hundred and sixteen, is hereby further amended by adding a new subdivision as follows:

Undistributed Surplus

"(b) In addition to the income tax imposed by subdivision (a) of this section there shall be levied, assessed, collected, and paid annually an additional tax of ten per centum upon the amount remaining undistributed six months after the end of each calendar or fiscal year, of the total net income of every corporation, joint-stock company or association, or insurance company, received during the year, as determined for the purposes of the tax imposed by such subdivision (a), but not including the amount of any income taxes paid by it within the year imposed by the authority of the United States.

"The tax imposed by this subdivision shall not apply to that portion of such undistributed net income which is actually invested and employed in the business or is retained for employment in the reasonable requirements of the business or is invested in obligations of the United States issued after September first, nineteen hundred and seventeen: *Provided*, That if the Secretary of the Treasury ascertains and finds that any portion of such amount so retained at any time for employment in the business is not so employed or is not reasonably required in the business a tax of fifteen per centum shall be levied, assessed, collected, and paid thereon.

The foregoing tax rates shall apply to the undistributed net income received by every taxable corporation, joint-stock company or association, or insurance company in the calendar year nineteen hundred and seventeen and in each

year thereafter, except that if it has fixed its own fiscal year under the provisions of existing law, the foregoing rates shall apply to the proportion of the taxable undistributed net income returned for the fiscal year ending prior to December thirty-first, nineteen hundred and seventeen, which the period between January first, ninteen hundred and seventeen, and the end of such fiscal year bears to the whole of such fiscal year."

Deductions, Domestic Corporations

SEC. 1207. (1) That paragraphs third and fourth of subdivision (a) of section twelve of such Act of September eighth, nineteen hundred and sixteen, are hereby amended to read as follows:

Interest

"Third. The amount of interest paid within the year on its indebtedness (except on indebtedness incurred for the purchase of obligations or securities the interest upon which is exempt from taxation as income under this title) to an amount of such indebtedness not in excess of the sum of (a) the entire amount of the paid-up capital stock outstanding at the close of the year, or, if no capital stock, the entire amount of capital employed in the business at the close of the year, and (b) one-half of its interest-bearing indebtedness then outstanding: *Provided*, That for the purpose of this title preferred capital stock shall not be considered interest-bearing indebtedness, and interest or dividends paid upon this stock shall not be deductible from gross income: *Provided further*, That in cases wherein shares of capital stock are issued without par or nominal value, the amount of paid-up capital stock, within the meaning of this section, as represented by such shares, will be the amount of cash, or its equivalent, paid or transferred to the corporation as a consideration for such shares: *Provided further*, That in the case of indebtedness wholly secured by property collateral, tangible or intangible, the subject of sale or hypothecation in the ordinary business of such corporation, joint-stock company or association as a dealer only in the property constituting such collateral, or in loaning the funds thereby procured, the total interest paid by such corporation, company, or association within the year on any such indebtedness may be deducted as a part of its expenses of doing business, but interest on such indebtedness shall only be deductible on an amount of such indebtedness not in excess of the actual value of such property collateral: *Provided further*, That in the case of bonds or other indebtedness, which

have been issued with a guaranty that the interest payable thereon shall be free from taxation, no deduction for the payment of the tax herein imposed, or any other tax paid pursuant to such guaranty, shall be allowed; and in the case of a bank, banking association, loan or trust company, interest paid within the year on deposits or on moneys received for investment and secured by interest-bearing certificates of indebtedness issued by such bank, banking association, loan or trust company shall be deducted;

Taxes

"Fourth. Taxes paid within the year imposed by the authority of the United States (except income and excess profits taxes), or of its Territories, or possessions, or any foreign country, or by the authority of any State, county, school district, or municipality, or other taxing subdivision of any State, not including those assessed against local benefits."

Deductions, Foreign Corporations

(2) Paragraphs third and fourth of subdivision (b) of section twelve of such Act of September eighth, nineteen hundred and sixteen, are hereby amended to read as follows:

Interest

"Third. The amount of interest paid within the year on its indebtedness (except on indebtedness incurred for the purchase of obligations or securities the interest upon which is exempt from taxation as income under this title) to an amount of such indebtedness not in excess of the proportion of the sum of (a) the entire amount of the paid-up capital stock outstanding at the close of the year, or, if no capital stock, the entire amount of the capital employed in the business at the close of the year, and (b) one-half of its interest-bearing indebtedness then outstanding, which the gross amount of its income for the year from business transacted and capital invested within the United States bears to the gross amount of its income derived from all sources within and without the United States: *Provided*, That in the case of bonds or other indebtedness which have been issued with a guaranty that the interest payable thereon shall be free from taxation, no deduction for the payment of the tax herein imposed or any other tax paid pursuant to such guaranty shall be allowed; and in case of a bank, banking association, loan or trust company, or branch thereof, interest paid within the year on deposits by or on moneys received for investment from either citizens or residents of the United States and secured by interest-bearing certificates of indebtedness issued by

such bank, banking association, loan or trust company, or branch thereof;

Taxes

"Fourth. Taxes paid within the year imposed by the authority of the United States (except income and excess profits taxes), or of its Territories, or possessions, or by the authority of any State, county, school district, or municipality, or other taxing subdivision of any State, paid within the United States, not including those assessed against local benefits."

Deduction at Source

SEC. 1208. (1) That subdivision (e) of section thirteen of such Act of September eighth, nineteen hundred and sixteen, is hereby amended to read as follows:

"(e) All the provisions of this title relating to the tax authorized and required to be deducted and withheld and paid to the officer of the United States Government authorized to receive the same from the income of nonresident alien individuals from sources within the United States shall be made applicable to the tax imposed by subdivision (a) of section ten upon incomes derived from interest upon bonds and mortgages or deeds of trust or similar obligations of domestic or other resident corporations, joint-stock companies or associations, and insurance companies by nonresident alien firms, copartnerships, companies, corporations, joint-stock companies or associations, and insurance companies, not engaged in business or trade within the United States and not having any office or place of business therein."

SEC. 1209. That section eighteen of such Act of September eighth, nineteen hundred and sixteen, is hereby amended to read as follows:

Penalty for Failure to File Returns

"SEC. 18. That any person, corporation, partnership, association, or insurance company, liable to pay the tax, make a return or to supply information required under this title, who refuses or neglects to pay such tax, to make such return or to supply such information at the time or times herein specified in each year, shall be liable, except as otherwise specially provided in this title, to a penalty of not less than $20 nor more than $1,000. Any individual or any officer of any corporation, partnership, association, or insurance company, required by law to make, render, sign, or verify any return or to supply any information, who makes any false or fraudulent return or statement with intent to defeat or evade the assessment required

by this title to be made, shall be guilty of a misdemeanor, and shall be fined not exceeding $2,000 or be imprisoned not exceeding one year, or both, in the discretion of the court, with the costs of prosecution: *Provided,* That where any tax heretofore due and payable has been duly paid by the taxpayer, it shall not be re-collected from any withholding agent required to retain it at its source, nor shall any penalty be imposed or collected in such cases from the taxpayer, or such withholding agent whose duty it was to retain it, for failure to return or pay the same, unless such failure was fraudulent and for the prpose of evading payment."

SEC. 1210. That section twenty-six of such Act of September eighth, nineteen hundred and sixteen, as amended by the Act entitled "An Act to provide increased revenue to defray the expenses of the increased appropriations for the Army and Navy and the extensions of fortifications, and for other purposes," approved March third, nineteen hundred and seventeen, is hereby amended to read as follows:

Return of Payments of Dividends

"SEC. 26. Every corporation, joint-stock company or association, or insurance company subject to the tax herein imposed, when required by the Commissioner of Internal Revenue, shall render a correct return, duly verified under oath, of its payments of dividends, whether made in cash or its equivalent or in stock, including the names and addresses of stockholders and the number of shares owned by each, and the tax years and the applicable amounts in which such dividends were earned, in such form and manner as may be prescribed bythe Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury."

Information at Source

SEC. 1211. That Title I of such Act of September eighth, nineteen hundred and sixteen, is hereby amended by adding to Part III six new sections, as follows:

Returns of Brokers

"SEC. 27. That every person, corporation, partnership or association, doing business as a broker on any exchange or board of trade or other similar place of business shall when required by the Commissioner of Internal Revenue, render a correct return duly verified under oath, under such rules and regulations as the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury, may prescribe, showing the names of customers for whom such person, corporation, partnership, or association

has transacted any business, with such details as to the profits, losses or other information which the commissioner may require, as to each of such customers, as will enable the Commissioner of Internal Revenue to determine whether all income tax due on profits or gains of such customers has been paid.

Returns of Payors of Miscellaneous Income

"SEC. 28. That all persons, corporations, partnerships, associations, and insurance companies, in whatever capacity acting, including lessees or mortgagors of real or personal property, trustees acting in any trust capacity, executors, administrators, receivers, conservators, and employers, making payment to another person, corporation, partnership, association, or insurance company, of interest, rent, salaries, wages, premiums, annuities, compensation, remuneration, emoluments, or other fixed or determinable gains, profits, and income (other than payments described in sections twenty-six and twenty-seven), of $800 or more in any taxable year, or, in the case of such payments made by the United States, the officers or employees of the United States having information as to such payments and required to make returns in regard thereto by the regulations hereinafter provided for, are hereby authorized and required to render a true and accurate return to the Commissioner of Internal Revenue, under such rules and regulations and in such form and manner as may be prescribed by him, with the approval of the Secretary of the Treasury, setting forth the amount of such gains, profits, and income, and the name and address of the recipient of such payment: *Provided*, That such returns shall be required, regardless of amounts, in the case of payments of interest upon bonds and mortgages or deeds of trust or other similar obligations of corporations, joint-stock companies, associations, and insurance companies, and in the case of collections of items (not payable in the United States) of interest upon the bonds of foreign countries and interest from the bonds and dividends from the stock of foreign corporations by persons, corporations, partnerships, or associations, undertaking as a matter of business or for profit the collection of foreign payments of such interest or dividends by means of coupons, checks, or bills of exchange.

Returns of Debtor Corporations on Payments of Interest on Bonds

Disclosure of Ownership of Income

"When necessary to make effective the provisions of this section the name and address of the recipient of income shall be furnished upon demand of the person, cor-

poration, partnership, association, or insurance company paying the income.

"The provisions of this section shall apply to the calendar year nineteen hundred and seventeen and each calendar year thereafter, but shall not apply to the payment of interest on obligations of the United States. Applicable to Year 1917

"SEC. 29. That in assessing income tax the net income embraced in the return shall also be credited with the amount of any excess profits tax imposed by Act of Congress and assessed for the same calendar or fiscal year upon the taxpayer and, in the case of a member of a partnership, with his proportionate share of such excess profits tax imposed upon the partnership. Excess Profits Tax Credited

"SEC. 30. That nothing in section II of the Act approved October third, nineteen hundred and thirteen, entitled 'An Act to reduce tariff duties and to provide revenue for the Government, and for other purposes,' or in this title, shall be construed as taxing the income of foreign governments received from investments in the United States in stocks, bonds, or other domestic securities, owned by such foreign governments, or from interest on deposits in banks in the United States of moneys belonging to foreign governments. Income Foreign Governments Exempt

"SEC. 31. (a) That the term 'dividends' as used in this title shall be held to mean any distribution made or ordered to be made by a corporation, joint-stock company, association, or insurance company, out of its earnings or profits accrued since March first, nineteen hundred and thirteen, and payable to its shareholders, whether in cash or in stock of the corporation, joint-stock company, association, or insurance company, which stock dividend shall be considered income, to the amount of the earnings or profits so distributed. Dividends

(b) Any distribution made to the shareholders or members of a corporation, joint-stock company, or association, or insurance company, in the year nineteen hundred and seventeen, or subsequent tax years, shall be deemed to have been made from the most recently accumulated undivided profits or surplus, and shall constitute a part of the annual income of the distributee for the year in which received, and shall be taxed to the distributee at the rates prescribed by law for the years in which such profits or surplus were accumulated by the corporation, joint-stock company, association, or insurance company, Rates Applicable to Dividends

but nothing herein shall be construed as taxing any earnings or profits accrued prior to March first, nineteen hundred and thirteen, but such earnings or profits may be distributed in stock dividends or otherwise, exempt from the tax, after the distribution of earnings and profit accrued since March first, nineteen hundred and thirteen, has been made. This subdivision shall not apply to any distribution made prior to August sixth, nineteen hundred and seventeen, out of earnings or profits accrued prior to March first, nineteen hundred and thirteen.

Insurance Premiums

SEC. 32. That premiums paid on life insurance policies covering the lives of officers, employees, or those financially interested in any trade or business conducted by an individual, partnership, corporation, joint-stock company or association, or insurance company, shall not be deducted in computing the net income of such individual, corporation, joint-stock company or association, or insurance company, or in computing the profits of such partnership for the purposes of subdivision (e) of section nine.

Tax Withheld at Source to be Refunded

SEC. 1212. That any amount heretofore withheld by any withholding agent as required by Title I of such Act of September eighth, nineteen hundred and sixteen, on account of the tax imposed upon the income of any individual, a citizen or resident of the United States, for the calendar year nineteen hundred and seventeen, except in the cases covered by subdivision (c) of section nine of such Act, as amended by this Act, shall be released and paid over to such individual, and the entire tax upon the income of such individual for such year shall be assessed and collected in the manner prescribed by such Act as amended by this Act.

Title XIII—General Provisions

Provisions Deemed Separable

SEC. 1300. That if any clause, sentence, paragraph, or part of this Act shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of said Act, but shall be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved in the controversy in which such judgment shall have been rendered.

SEC. 1301. That Title I of the Act entitled, "An Act to provide increased revenue to defray the expenses of the increased appropriations for the Army and Navy and the extension of fortifications, and for other purposes," approved March third, nineteen hundred and seventeen, be, and the same is hereby, repealed.

SEC. 1302. That unless otherwise herein specially provided, this Act shall take effect on the day following its passage. Effective Date of Act

Index to Synopsis

ADMISSIONS TO AMUSEMENTS
- Adults, 56
- Boxes and Seats, 56
- Cabarets, 56
- Children, 56
- Exempt, 56
- Payment, 56
- Returns, 56
- Seats, 56
- Tables, 56

ADMINISTRATIVE AND GENERAL PROVISIONS
- Contracts before May 9, 1917, 62
- Collection and Payment
  - Additional taxes, 60
  - Advance payments, 62
  - Interest on advance payments, 63
  - Method not specifically provided, 61
  - Effective Date of Law, 63
  - Stamps on hand, 61
  - Uncertified checks, 63
- Penalties, 61
- Provisions separable, 63
- Records to be kept, 60
- Regulations and Rulings, 62
- Returns to be made, 60
- West Indian Islands, 60

AGREEMENTS, 47

AUTOMOBILES, 53

BERTHS, 37

BEVERAGES
- (Arranged alphabetically), 38

BOATS, 52

BONDS, 47, 48

CAMERAS, 53

CAPITAL STOCK, 48

CERTIFICATES OF INDEBTEDNESS 47

CHECKS, 48

CHEWING GUM, 53

CIGARS
- Rates of Tax, 44
- Retail Defined, 44
- When effective, 44

CIGARETTES
- Packages, 45
- Rates of Tax, 45
- When effective, 45

CONVEYANCES, 48

DEEDS, 49

DRAFTS, 49

DUES, 59

ENTRIES, 49

ESTATES
- Rates, 51
- Exemptions, 51

EXCESS PROFITS
- Claim in Abatement, 24
- Corporation, defined, 19
- Deductions (See Determination of Excess Profits)
- Definitions, 19
- Determination of Excess Profits
  - Business continuation of former business, 23
  - Concerns in business during pre-war period, 21
  - Concerns not in business during pre-war period, 22
  - Concerns having no income or subnormal income during pre-war period, 24

Concerns in which invested capital cannot be determined, 25
Determination of percentage by Commissioner of Internal Revenue, 24, 26
Inability to determine prewar income, 22
Limitation on deductions, 22
Domestic, defined, 19
Exemptions
Corporations, 21
Partnerships, 21
Individuals, 21
Non-resident aliens, 20
Trades and Businesses, 20
First Taxable year, defined, 19
Fiscal year, 34
Foreign, defined, 19
Invested Capital
Assets, excluded, 28
Average, monthly, 28
Change of Ownership, 29
Consolidation, 29
Copyrights, 27
Corporations
Domestic, 26
Foreign, 28
Franchises, 27
Good Will, 27
Individuals
Citizens or residents of U. S., 28
Non-resident aliens, 28
Intangible Assets, 27
Patents, 27
Trademarks, 27
Law repealed, former excess profits tax, 34
Net Income
Corporations, 30
Defined, 20
Individuals, 31
Partnerships, 31
No capital invested in business, 30
Nominal capital invested in business, 30
Patents, 27
Persons subject to tax, 20
Pre-war period, defined, 19
Rates of Tax, 29
Regulations, 35
Reorganization, 29
Returns
Partnerships, 33
Taxable Year, defined, 19
Trademarks, 27
United States, defined, 19

EXPRESS, 36

FACILITIES FURNISHED BY PUBLIC UTILITIES
Berths, 37
By whom paid, 36
Cash Fares, 36
Express, 36
Freight, 36
Passenger Fares, 37
Pipe Lines, 37
Radio Messages, 37
Seats, 37
Telegraph Messages, 37
Telephone Messages, 37
Tickets Purchased Prior to November 1, 1917, 37

FILMS, 53

FREIGHT, 36

GAMES, 54

GRAPHOPHONES, 54

INCOME TAX, AMENDMENTS
Collection of foreign Items, 18
Deductions, corporations
Interest, 15
Taxes, 15
Deductions, individual
Contributions, 12
Excess Profits Tax, 14

Interest, 11
Non-resident aliens, 12
Taxes, 11
Deduction at source
Citizens and residents of U. S., 13
Dividends, 13
Foreign corporations and firms, 13
Non-resident aliens, 13
Refund of tax deducted in 1917, 14
Tax free bonds, 13
Dividends, corporations, 15
Dividends, individuals, 11
Disclosure of ownership, 17
Excess profits tax deductible, 14
Exemptions, specific
Citizens and residents of U. S., 12
Non-resident aliens, 12
Foreign Governments, income, 4
Information at source, 16
Interest, Government bonds, 13, 15
Life insurance premiums, 18
Partnerships
Fiscal year, 12
Interest on Government bonds, 13
Returns, 12
Penalties, 17
Returns
Brokers, 16
Debtor Corporations, 17
Miscellaneous Income, 16
Partnerships, 12
Payments of Dividends by Corporations, 15
Surplus, undistributed
Tax on, 14
INCOME TAX, WAR
Chart of Rates and Taxes, 8
Collection, 9, 10
Corporations
Collection, 10
Dividends, 10
Fiscal year, 10
Rate of tax, 9
Deduction at source, 9
Effective date of Law, 10
Exemptions, Specific, 9
Fiscal Year, 10
Normal Tax
Individuals, 7
Non-resident aliens, not subject, 7
Rate, 7
Returns, 9
Surtax
Rates, 7
INSURANCE
Casualty, 55
Exempt, 55
Fire, 55
Inland, 55
Life, 55
Marine, 55
Payment of Tax, 55
Returns, 55
JEWELRY, 53
PARCEL POST, 49
PASSAGE TICKET, 49
PASSAGE FARES, 37
PIPE LINES, 37
PLAYING CARDS, 49
POWER OF ATTORNEY, 49
PRODUCE, 50
PROMISSORY NOTES, 49
PROXIES, 50
RADIO MESSAGE, 37

MANUFACTURES
Articles not taxed, 53
Automobiles, 53
Boats, 52
Cameras, 53
Chewing Gum, 53
Films, 53
Games, 54
Graphophones, 54
Jewelry, 53
Patent medicines, 54
Payment of, 52, 53
Piano players, 54
Records, 54
Returns of, 53
Sporting goods, 54
Yachts, 52
MUNITIONS
Expiration of Law, 59
Rate reduced, 59
PATENT MEDICINES, 54
PIANO PLAYERS, 54
POSTAL RATES
First class, 57
Second class
Advertising matter, 57
Other than advertising matter, 58
RECORDS, 54
STAMP TAXES
(Arranged alphabetically), 47
SNUFF
Packages, 46
Rates of tax, 46
When effective, 46
SPORTING GOODS, 54
TELEGRAPH MESSAGES, 37
TELEPHONE MESSAGES, 37
TOBACCO
Packages, 46
Rate of Tax, 46
When effective, 46
YACHTS, 52

Guaranty Trust Company of New York

Functions and Facilities